

FRESNO COUNTY RURAL TRANSIT AGENCY

ANNUAL FINANCIAL REPORTS

FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Independent auditors' report	1-2
Management's discussion and analysis	3-6
BASIC FINANCIAL STATEMENTS	
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	10-19
SUPPLEMENTARY SCHEDULES AND OTHER REPORTS SECTION	
Schedule of expenditures of federal awards	20
Notes to the schedule of expenditures of federal awards	21
Report on compliance with rules and regulations of the California Transportation Development Act	22-23
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"	24-25
Report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133	26-28
FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of findings and questioned costs	29
Summary schedule of prior audit findings	30

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, 2010 and 2009, 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, 2010 and 2009, 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 March 1, 2011, 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.

8080 North
Palm Avenue,
Suite 201
•
Fresno, CA
93711-5797
•

559/431-5500

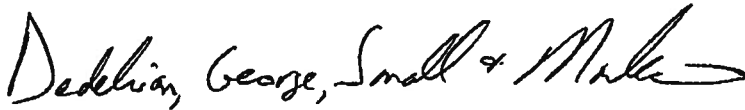
Fax: 559/431-4937

www.dedekian.com

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
March 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

The following discussion and analysis of the financial performance and activity of the Fresno County Rural Transit Agency Basic Financial Statements provides an introduction and understanding of the basic financial statements of the Fresno County Rural Transit Agency (FCRTA). This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

FCRTA is a voluntary 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.

FCRTA currently operates an active fixed route and demand responsive bus fleet of seventy-three. FCRTA has no direct employees and contracts for all management and transit operations functions. FCRTA also reimburses various member agencies for expenditures incurred providing transit service. FCRTA receives funds primarily from the Transportation Development Act (TDA), which is a ¼ cent sales tax administered by the Council of Fresno County Governments, State Transit Assistance (STA), transit fares and federal, state and local grants.

The Financial Statements

FCRTA'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 Statement 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 consist 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, 2010

Financial Highlights

- Total net assets of FCRTA were \$6,135,123 and consisted of net assets, net of related debt, of \$5,624,678; and unrestricted net assets of \$510,445.
- Net assets increased \$164,285 during fiscal year 2010. 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 \$5,624,678 at June 30, 2010, representing an increase of \$160,286 from June 30, 2009. 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 FCRTA's Statement of Net Assets for Business-Type Activities as of June 30, 2010, with comparative totals as of June 30, 2009 is as follows:

Statements of Net Assets Business-Type Activities As of June 30, 2010 and 2009		
	2010	2009
Assets:		
Current and Other Assets	\$ 8,611,586	\$ 7,011,820
Capital Assets (Net of Depreciation)	5,624,678	5,464,392
Total Assets	14,236,264	12,476,212
Liabilities:		
Current and Other Liabilities	8,101,141	6,505,374
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,624,678	5,464,392
Unrestricted	510,445	506,446
Total Net Assets	\$ 6,135,123	\$ 5,970,838

Business-type activities include FCRTA's Enterprise Fund operations. These operations are highly capital intensive, devoting a significant portion of their financial resources to the maintenance and replacement of major capital equipment and facilities. This is evidenced by the higher proportion of capital assets to total assets. In fact, of the \$14,236,264 in total assets as of June 30, 2010, \$5,624,678 (40%) relate to capital assets.

FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010

Statement of Net Assets (Continued)

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 \$160,286, while unrestricted net assets increased by \$3,999. This is due to favorable operations in the proprietary fund. The enterprise fund invested \$1,088,594 in capital assets during the year. However, though the enterprise fund invested \$1,088,594, depreciation expense of \$928,308 caused the increase in net assets invested in capital to be \$160,286.

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 FCRTA as a whole is better off at June 30, 2010 than it was at June 30, 2009.

A summary of FCRTA's Statements of Revenues, Expenses, and Changes in Net Assets for fiscal year ended June 30, 2010, with comparative totals for the year ended June 30, 2009 is as follows:

Statement of Revenues, Expenses, and Changes in Net Assets		
Business-Type Activities		
Fiscal Years Ended June 30, 2010 and 2009		
	<u>2010</u>	<u>2009</u>
Revenues:		
Program Revenues	\$ 5,598,663	\$ 9,224,259
General Revenues	86,585	131,174
Total Revenues	<u>5,685,248</u>	<u>9,355,433</u>
Expenses:		
Program Expenses	<u>5,520,963</u>	<u>5,278,307</u>
Changes in Net Assets	164,285	4,077,126
Net Assets – Beginning	<u>5,970,838</u>	<u>1,893,712</u>
Net Assets - Ending	<u>\$ 6,135,123</u>	<u>\$ 5,970,838</u>

FRESNO COUNTY RURAL TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2010

Statement of Revenues, Expenses, and Changes in Net Assets (Continued)

The largest revenue category listed on the Statements of Revenues, Expenses, and Changes in Net Assets is state operating assistance (48%) derived from the Transportation Development Act and State Transit Assistance.

The largest operating expense category is contractual purchased transportation service (35%). Maintenance and repair constitute 18% of FCRTA's operating expense and salary and benefit reimbursement to members for providing transit service make up another 12%. 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 FCRTA during the fiscal year was from operating grants; most of the cash expenses were for operating expenses.

Capital Assets

FCRTA'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, 2010		
	Business Type Activities	
	2010	2009
Capital Grant Funded	<u>\$ 5,624,678</u>	<u>\$ 5,464,392</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 FCRTA assets, which would be significantly higher. Historical cost is used, pursuant to accounting standards, to provide an objective basis for reporting capital assets.

Additional information on FCRTA's capital assets can be found in Note 4 of this report.

Contacting FCRTA's Financial Management

The FCRTA Basic Financial Statements are designed to provide FCRTA's Board of Directors, management, creditors, legislative and oversight agencies, citizens and customers with an overview of FCRTA's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact 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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 4,356,519	\$ 2,921,991
Receivables:		
Intergovernmental	4,008,283	3,888,512
Interest	7,805	7,670
Other	<u>238,979</u>	<u>193,647</u>
Total current assets	<u>8,611,586</u>	<u>7,011,820</u>
Non-Current assets:		
Capital assets	12,540,237	11,600,133
Accumulated depreciation	<u>(6,915,559)</u>	<u>(6,135,741)</u>
Total non-current assets	<u>5,624,678</u>	<u>5,464,392</u>
Total assets	<u><u>\$ 14,236,264</u></u>	<u><u>\$ 12,476,212</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 436,887	\$ 340,109
Due to members and other governmental entities	387,652	352,227
Deferred revenues	<u>7,276,602</u>	<u>5,813,038</u>
Total liabilities	<u>8,101,141</u>	<u>6,505,374</u>
Net assets:		
Invested in capital assets, net of related debt	5,624,678	5,464,392
net cash used in operating activities	<u>510,445</u>	<u>506,446</u>
Total net assets	<u>6,135,123</u>	<u>5,970,838</u>
net cash used in operating activities		
Total liabilities and net assets	<u><u>\$ 14,236,264</u></u>	<u><u>\$ 12,476,212</u></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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Operating revenue:		
Fare revenues	\$ 566,363	\$ 572,893
Other revenues	<u>4,000</u>	<u>-</u>
Total operating revenues	<u>570,363</u>	<u>572,893</u>
Operating expenses:		
Salaries and employee benefits reimbursements	682,422	973,350
Administrative services reimbursements	384,312	378,879
Fuel and lubricants	231,333	245,581
Maintenance and repairs	1,009,003	1,016,852
Other materials	319	-
Utilities	38,016	39,700
Purchased transportation	1,950,700	1,579,029
Casualty and liability insurance	279,263	256,599
Miscellaneous expenses	17,287	19,608
Depreciation	<u>928,308</u>	<u>768,709</u>
Total operating expenses	<u>5,520,963</u>	<u>5,278,307</u>
Operating loss	<u>(4,950,600)</u>	<u>(4,705,414)</u>
Nonoperating revenues:		
Interest revenue	86,585	131,174
State operating assistance	2,221,722	2,706,890
Federal operating assistance	<u>1,717,984</u>	<u>1,098,640</u>
Total nonoperating revenues	<u>4,026,291</u>	<u>3,936,704</u>
Capital contributions	<u>1,088,594</u>	<u>4,845,836</u>
net cash used in operating activities		
Changes in net assets	164,285	4,077,126
net cash used in operating activities	<u>5,970,838</u>	<u>1,893,712</u>
Total net assets, ending	<u>\$ 6,135,123</u>	<u>\$ 5,970,838</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, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Receipts from customers and users	\$ 525,031	\$ 635,903
Payments to suppliers	(3,778,030)	(3,563,284)
Payments to employees	(682,422)	(973,350)
Net cash used in operating activities	<u>(3,935,421)</u>	<u>(3,900,731)</u>
Cash flows from noncapital financial activities:		
Operating grants received	<u>3,899,436</u>	<u>3,215,343</u>
Net cash provided by noncapital financing activities	<u>3,899,436</u>	<u>3,215,343</u>
Cash flows from investing activities:		
Interest received	<u>86,450</u>	<u>135,498</u>
Net cash provided by investing activities	<u>86,450</u>	<u>135,498</u>
Cash flows from capital and related financial activities:		
Grant funds received for property and equipment acquisition	2,472,657	3,748,703
Acquisitions of property and equipment	<u>(1,088,594)</u>	<u>(4,845,836)</u>
Net cash provided by (used in) capital and related financing activities	<u>1,384,063</u>	<u>(1,097,133)</u>
Net increase (decrease) in cash	1,434,528	(1,647,023)
Cash at beginning of year	<u>2,921,991</u>	<u>4,569,014</u>
Cash at end of year	<u>\$ 4,356,519</u>	<u>\$ 2,921,991</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	<u>\$ (4,950,600)</u>	<u>\$ (4,705,414)</u>
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	928,308	768,709
Changes in operating assets and liabilities:		
Decrease (increase) in other receivables	(45,332)	63,009
Increase in accounts payable	96,778	16,641
Increase in due to members and other governmental entities	<u>35,425</u>	<u>(43,676)</u>
Total adjustments	<u>1,015,179</u>	<u>804,683</u>
Net cash used in operating activities	<u>\$ (3,935,421)</u>	<u>\$ (3,900,731)</u>

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

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Financial Reporting Entity

The Fresno County Rural Transit Agency ("FCRTA") 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

FCRTA 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, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Basis of Accounting (Continued)

FCRTA receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S Department of Transportation, state, and local transportation funds for the acquisition of transit-related equipment and improvements. 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*, FCRTA 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 \$1,088,594 for the fiscal year ended June 30, 2010.

When both restricted and unrestricted net assets are available, unrestricted resources are used only after the restricted resources are depleted.

e. Cash

In accordance with the Joint Powers Agreement, under which FCRTA is governed, all cash is deposited with the Fresno County Auditor-Controller/Treasurer. FCRTA's cash is held within Fresno County's cash and investment pool, which is managed by the Auditor-Controller/Treasurer as authorized by the County's investment policy.

For purposes of the Statement of Cash Flows, FCRTA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments are pooled with FCRTA's pooled cash and investments.

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 FCRTA 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, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Operating Expenses

FCRTA, 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 FCRTA 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 FCRTA, 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.

Section 5311 ARRA Preventive Maintenance Grants

Section 5311 American Recovery & Reinvestment Act (ARRA) preventive maintenance grant funds may be used for eligible preventive maintenance activities, consisting of inspection and maintenance for transit operations.

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.

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Funding Sources (Continued)

State Grants (Continued)

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.

j. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 54 – In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2010. FCRTA has elected not to early implement GASB Statement No. 54 and has not determined its effect on FCRTA's financial statements. FCRTA has elected not to early implement GASB Statement No. 54 and has not determined its effect on FCRTA's financial statements.

GASB Statement No. 59 – In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. FCRTA has elected not to early implement GASB Statement No. 59 and has not determined its effect on FCRTA's financial statements.

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010 AND 2009

2. CASH AND INVESTMENTS

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

The table below identifies the investment types that are authorized for FCRTA by the California Government Code (or FCRTA's Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or FCRTA's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills, Notes and Bonds	5 Years	None	None
U.S. Government Agency Obligations	5 Years	None	None
Banker's Acceptances	180 Days	None	None
Commercial Paper	270 Days	None	None
Negotiable Certificates of Deposit	13 Months	None	None
Non-negotiable Certificates of Deposit	13 Months	None	None
Repurchase Agreements	Overnight	None	None
Local Agency Investment Fund (LAIF)	5 Years	None	None
Medium-Term Notes	5 Years	None	None
Mutual Funds	5 Years	None	None
Mortgage-Backed Securities	5 Years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of FCRTA's investments to market interest rate fluctuations is provided by the following table that shows the distribution of FCRTA's investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
County Investment Pool	<u>\$ 4,356,519</u>	<u>\$ 4,356,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 4,356,519</u>	<u>\$ 4,356,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010 AND 2009

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, FCRTA's investment policy, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

<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	<u>\$ 4,356,519</u>	<u>N/A</u>	<u>\$ 4,356,519</u>	<u>\$ -</u>	<u>\$ 4,356,519</u>
Total	<u>\$ 4,356,519</u>	<u>N/A</u>	<u>\$ 4,356,519</u>	<u>\$ -</u>	<u>\$ 4,356,519</u>

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, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Council of Fresno County Governments - LTF	\$ 880,591	\$ 871,448
Council of Fresno County Governments - STA	-	345,366
Caltrans - PTMISEA	-	962,733
Caltrans - FTA Section 18	<u>3,127,692</u>	<u>1,708,965</u>
	<u>\$ 4,008,283</u>	<u>\$ 3,888,512</u>

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010 AND 2009

4. CAPITAL ASSETS AND DEPRECIATION

Capital assets net of accumulated depreciation as of June 30, 2010 are as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets being depreciated:				
Capital grant funded	\$ 11,573,360	\$ 1,088,594	\$ 148,490	\$ 12,513,464
Non-capital grant funded	<u>26,773</u>	<u>-</u>	<u>-</u>	<u>26,773</u>
 Total capital assets being depreciated	 <u>11,600,133</u>	 <u>1,088,594</u>	 <u>148,490</u>	 <u>12,540,237</u>
 Less accumulated depreciation for:				
Capital grant funded	6,108,968	928,308	148,490	6,888,786
Non-capital grant funded	<u>26,773</u>	<u>-</u>	<u>-</u>	<u>26,773</u>
 Total accumulated depreciation	 <u>6,135,741</u>	 <u>928,308</u>	 <u>148,490</u>	 <u>6,915,559</u>
 Total capital assets being depreciated, net	 <u>5,464,392</u>	 <u>160,286</u>	 <u>-</u>	 <u>5,624,678</u>
 Capital assets, net	 <u><u>\$ 5,464,392</u></u>	 <u><u>\$ 160,286</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 5,624,678</u></u>

The fixed assets of FCRTA 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, 2010 and 2009 was \$928,308 and \$768,709, respectively.

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010 AND 2009

5. DUE TO MEMBERS AND OTHER GOVERNMENTAL ENTITIES

Individual payables to members and other governmental entities as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Council of Fresno County Governments	\$ 107,145	\$ 93,035
City of Coalinga	70,634	70,037
City of Kerman	13,319	5,946
City of Reedley	90,375	81,619
City of Selma	-	101,590
Fresno County Economic Opportunities Commission	106,179	-
Total	<u>\$ 387,652</u>	<u>\$ 352,227</u>

6. DEFERRED REVENUE

The TDA, Proposition 1B (PTMISEA), and Measure "C" allocate funds to 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, 2010 are summarized as follows:

	TDA	Prop 1B (PTMISEA)	CTAF	Measure "C"	Total
Deferred revenue beginning of year	\$ 3,186,237	% 674,774	\$ 174,097	\$ 1,777,930	\$ 5,813,038
Capital grants received	5,897	-	170,941	1,039,597	1,216,435
Capital grants allowed	(5,897)	(152,565)	(299,453)	(624,951)	(1,082,866)
Operating funds received	2,788,540	-	-	769,320	3,557,860
Operating funds allowed	(1,538,988)	-	-	(769,320)	(2,308,308)
Interest received	40,757	16,870	464	22,352	80,443
Deferred revenue, end of year	<u>\$ 4,476,546</u>	<u>\$ 539,079</u>	<u>\$ 46,049</u>	<u>\$ 2,214,928</u>	<u>\$ 7,276,602</u>

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010 AND 2009

7. FARE REVENUE RATIO

FCRTA is required to maintain a minimum fare revenue to operating expenses ratio of 10% in accordance with the Transportation Development Act. The calculation of the fare revenue ratio for the years ended June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Fare revenues	\$ 566,363	\$ 572,893
Operating expenses	\$ 5,520,963	\$ 5,278,306
Allowable TDA adjustments:		
Depreciation	(928,308)	(768,709)
Net operating expenses	<u>\$ 4,592,655</u>	<u>\$ 4,509,597</u>
Fare revenue ratio	<u>12.33%</u>	<u>12.67%</u>

8. PROPOSITION 1B (PTMISEA FUNDING)

FCRTA receives Proposition 1B (PTMISEA) funding for approved capital projects. During the fiscal year ended June 30, 2010, FCRTA received no additional Proposition 1B funds. These funds are held in an interest bearing account and have earned interest in the amount of \$16,870 for the year ended June 30, 2010. As of June 30, 2010, FCRTA has spent \$2,138,327 for capital projects. The remaining funds have been recorded as deferred revenue as of June 30, 2010 (Note 6).

9. RISK MANAGEMENT LIABILITY

FCRTA is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; and natural disasters. FCRTA is insured with commercial carriers. FCRTA's schedule of insurance coverage is as follows;

FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2010

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Effective Dates</u>
General Liability	\$2,000,000 Agg/\$1,000,000 Occ	7/10/09 – 7/10/10
Commercial Automobile	\$5,000,000 CSL	7/10/09 – 7/10/10
Automobile Excess Liability	\$1,500,000	7/10/09 – 7/10/10

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010 AND 2009

9. RISK MANAGEMENT LIABILITY (CONTINUED)

FCRTA requires the operator, Fresno County Economic Opportunities Commission (FCEOC), to maintain the following policies:

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF INSURANCE COVERAGE (CONTINUED)
JUNE 30, 2010

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Effective Dates</u>
Worker's Compensation	\$1,000,000	1/11/10
Commercial General Liability	\$2,000,000	9/1/09 – 8/30/10
Commercial Automobile Liability	\$1,000,000 + \$4,000,000 umb.	9/1/09 – 8/30/10
Automobile Collision & Comprehensive	\$1,000,000 + \$4,000,000 umb. + \$1,000 ded.	9/1/09 – 8/30/10

10. CONTINGENT LIABILITIES

Grants have been received by FCRTA for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement for costs disallowed under the terms of the grants. The amount, if any, of costs that may be disallowed by the granting agencies cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

SUPPLEMENTARY SCHEDULES AND OTHER REPORTS SECTION

FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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	20.509	640138	\$ 1,006,862
ARRA - Section 5311 Preventive Maintenance Grant	20.509	649846	<u>711,122</u>
Total Federal Financial Assistance			<u><u>\$ 1,717,984</u></u>

FRESNO COUNTY RURAL TRANSIT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Fresno County Rural Transit Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Fresno County Rural Transit Agency's basic financial statements.

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, 2010, and have issued our report thereon dated March 1, 2011.

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.

8080 North
Palm Avenue,
Suite 201

Fresno, CA
93711-5797

559/431-5500

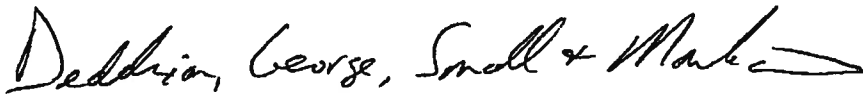
Fax: 559/431-4937

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

During the fiscal year ended June 30, 2010, we verified that the Fresno County Rural Transit Agency received no additional PTMISEA funds and expended \$152,165 for the acquisition of CNG conversion kits. As of June 30, 2010, we verified that the Fresno County Rural Transit Agency had unexpended PTMISEA proceeds, including interest earned, of \$539,079.

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
March 1, 2011

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, 2010, and have issued our report thereon dated March 1, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

8080 North
Palm Avenue,
Suite 201

Fresno, CA
93711-5797

559/431-5500

Fax: 559/431-4937

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 in internal control over financial reporting that might be deficiencies, significant 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 or other matters 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
March 1, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON 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 Fresno County Rural Transit Agency's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

8080 North
Palm Avenue,
Suite 201

Fresno, CA
93711-5797

559/431-5500

Fax: 559/431-4937

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fresno County Rural Transit Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, 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.

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON 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.

A handwritten signature in black ink, appearing to read "Dedekian, George, Small & Markarian", followed by a long horizontal flourish.

Dedekian, George, Small & Markarian
Accountancy Corporation
March 1, 2011

FINDINGS AND RECOMMENDATIONS SECTION

FRESNO COUNTY RURAL TRANSIT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

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 on 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 programs are reported in the “Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.”
5. The Independent Auditors’ Report on compliance for the major federal award program for Fresno County Rural Transit Agency expresses an unqualified opinion on all major federal programs.
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 programs tested as major programs included:

Name	CFDA Number
Federal Operating Assistance	20.509
ARRA – Preventive Maintenance	20.509

8. The threshold used for distinguish between Type A and Type B programs was \$300,000.
9. Fresno County Rural Transit Agency was determined to be 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, 2009

There were no reportable audit findings for the fiscal year ended June 30, 2009.