

**YOSEMITE AREA REGIONAL
TRANSPORTATION SYSTEM**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
Yosemite Area Regional Transportation System
Merced, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Yosemite Area Regional Transportation System (YARTS), a Joint Powers Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise YARTS' financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to YARTS' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of YARTS' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of YARTS, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise YARTS' basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2020, on our consideration of YARTS' 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering YARTS' internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
February 14, 2020

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

The management of Yosemite Area Regional Transportation System (YARTS) presents the following narrative overview and analysis of the financial statements for the year ended June 30, 2019. The financial information presented here should be considered in conjunction with the financial statements presented in the following pages.

FINANCIAL HIGHLIGHTS

- Total assets of YARTS for the fiscal year ending June 30, 2019 are \$8,001,856. This is a decrease of \$191,464 from the ending balance of the prior fiscal year. The decrease is attributed to the decrease in accounts receivable and capital assets due to annual depreciation expense.
- Passenger fares for the fiscal year ending June 30, 2019 were \$470,489, a decrease of 26% from the prior fiscal year.
- To determine the feasibility of the Fresno service, all revenues and expenditures are kept in separate accounts, which are incorporated into the totals of the financial statement. The Fresno service revenue included in the statements is \$596,856, \$161,188 less than the prior year. The Fresno service expenditures included in the statement are \$591,243, \$148,952 less than the prior year.

OVERVIEW OF ANNUAL FINANCIAL REPORT

The Management's Discussion and Analysis is intended to serve as an introduction to YARTS' financial statements. YARTS' financial statements are comprised of four components: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to Financial Statements.

Financial Statements

The Statement of Net Position presents information on YARTS' assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of YARTS is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information on revenues, expenses, capital contributions, and how YARTS' net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues, expenses, and capital contributions are reported in the statements for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of YARTS' current year operations on its financial position.

The Statement of Cash Flows summarizes YARTS' cash flows into four categories: cash flows from operating activities; cash flows from noncapital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities. The Statement of Cash Flows, along with the related notes and information on other financial statements, can be used to assess YARTS' ability to generate positive future cash flows and operating income (loss); and the effect of cash and noncash investing, capital, and financing activities on YARTS' financial position.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The financial statements provide information on all functions of YARTS as business-type activities. The activities of YARTS are supported by fare collections from passengers and federal, state, and local financial assistance.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS

Total assets of YARTS exceeded total liabilities by \$7,229,850. A condensed summary of YARTS' net position at June 30, 2019 and 2018 is shown below:

**Yosemite Area Regional Transportation System
Statements of Net Position**

	2019	2018	% Change
Assets:			
Current Assets	\$ 2,666,397	\$ 2,316,648	15%
Capital Assets (net)	5,335,459	5,876,672	-9%
Total Assets	8,001,856	8,193,320	-2%
Liabilities:			
Current Liabilities	772,006	899,103	-14%
Total Liabilities	772,006	899,103	-14%
Net Position:			
Net Investment in Capital Assets	5,335,459	5,876,672	-9%
Unrestricted	1,894,391	1,417,545	34%
Total Net Position	\$ 7,229,850	\$ 7,294,217	-1%

Total revenue of YARTS for the fiscal year ended June 30, 2019, including operating revenue and nonoperating revenue, was \$3,500,271. This was a decrease from the prior fiscal year of \$565,018. This decrease was due to the reduction of the Fresno services and in federal and state operating assistance.

Total expenses of YARTS for the fiscal year ended June 30, 2019 were \$3,564,638. This was a decrease of \$476,205 from the previous fiscal year. The majority of the decrease is attributed to the decrease in Fresno services. Change in net position for YARTS for the fiscal year ended June 30, 2019 was a decrease of 64,367.

A condensed summary of the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019 and 2018 is shown below:

**Yosemite Area Regional Transportation System
Statements of Revenues, Expenses, and Changes in Net Position**

	2019	2018	% Change
Operating Revenues	\$ 680,941	\$ 965,677	-29.49%
Operating Expenses	3,564,638	4,040,843	-11.78%
Operating Income (Loss)	(2,883,697)	(3,075,166)	-6.23%
Nonoperating Revenues	2,819,330	3,099,612	-9.04%
Change in Net Position	(64,367)	24,446	-363.30%
Net Position - Beginning	7,294,217	7,269,771	0.34%
Net Position - Ending	\$ 7,229,850	\$ 7,294,217	-0.88%

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Capital Assets

YARTS' net investment in capital assets as of June 30, 2019 was \$5,335,459, compared to \$5,876,672 in the fiscal year ended June 30, 2018. Investment in capital assets include real property, the Mariposa Park & Ride project and buses. The decrease in capital assets was the net effect of depreciation expense exceeding new capital asset additions in the amount of \$541,213.

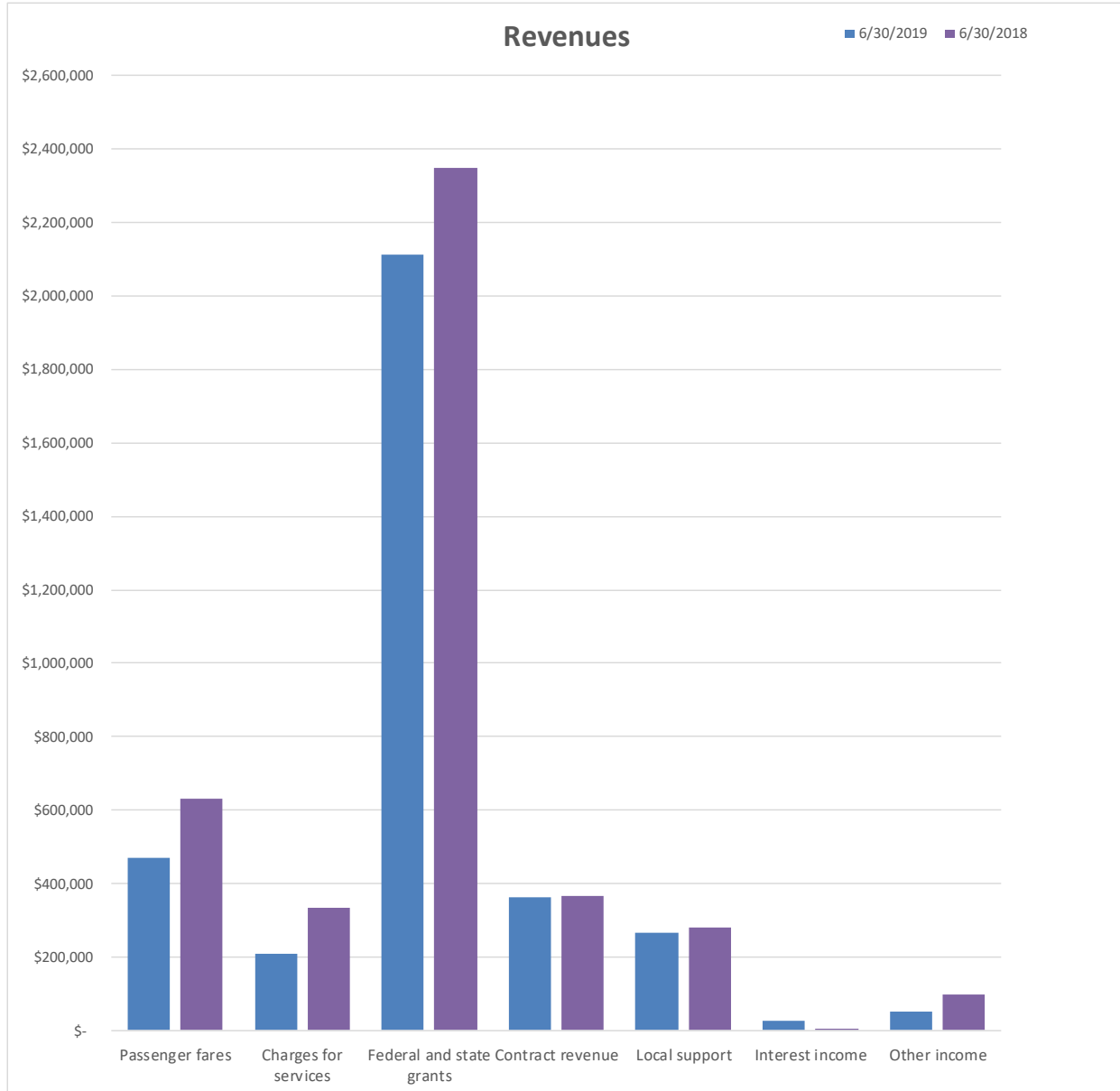
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2019</u>
Nondepreciable:				
Land	\$ 595,178	\$ -	\$ -	\$ 595,178
Total nondepreciable	<u>595,178</u>	<u>-</u>	<u>-</u>	<u>595,178</u>
Depreciable:				
Land improvements	325,438	-	-	325,438
Buildings and equipment	8,574,915	-	-	8,574,915
Total depreciable	<u>8,900,353</u>	<u>-</u>	<u>-</u>	<u>8,900,353</u>
Less: accumulated depreciation	<u>(3,618,859)</u>	<u>(541,213)</u>	<u>-</u>	<u>(4,160,072)</u>
Total depreciable, net	<u>5,281,494</u>	<u>(541,213)</u>	<u>-</u>	<u>4,740,281</u>
Total capital assets, net	<u>\$ 5,876,672</u>	<u>\$ (541,213)</u>	<u>\$ -</u>	<u>\$ 5,335,459</u>

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

YARTS Activities

In the fiscal year ended June 30, 2019, total revenues and nonoperating revenues were \$3,500,271, a decrease of \$565,018 from the prior fiscal year. This decrease is mainly attributed to a reduction in charges for services, passenger fares, and federal and state grants.

The following chart shows revenue for the fiscal years ended June 30, 2019 and 2018:



**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

In the fiscal year ended June 30, 2019, total expenditures were \$3,564,638, a decrease of \$476,205 from the prior fiscal year. This decrease is mainly attributed to a reduction in contracted and professional services.

The following chart shows expenses for the fiscal years ended June 30, 2019 and 2018:



**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The first quarter of the fiscal year 2018 -2019 showed a decrease of 35% in ridership. The majority of this decrease can be attributed to the Ferguson Fire, which resulted in a six-week closure of Yosemite in July and August of 2018. In addition, mudslides and rockslides in burn scar areas, as well as a long and arduous winter season resulted in several closures of Highways 41 and 140. Amtrak ridership showed a decrease of 31% over the previous fiscal year, while NPS employee ridership continues to decrease, but at a much slower rate than in previous years.

YARTS has implemented a 20% fare increase to meet the anticipated costs of operations in the new contract. YARTS had not had a fare increase since 2009.

YARTS has secured the Federal Lands Access Program grant to provide free service to Yosemite and the surrounding communities on all NPS fee-waived gate days through September 2020. The free day service has shown an average increase in ridership of over 200% on free days, versus the same period in the previous year.

In March of 2017, another sinkhole event occurred in the YARTS owned park & ride facility in Mariposa. The engineer's estimate is \$239,000. Staff will present options to the YARTS Joint Powers Authority Board of Directors in 2020 regarding the future of the park & ride facility.

YARTS reservations showed a decrease over the previous year, with a total of 13,834 tickets sold. Management projects about 15,000 in tickets will be sold in fiscal year 2019 -2020.

YARTS was designated an eligible transit provider and will now receive State Transportation Assistance (STA) and State of Good Repair (SGR) funding with allocation amounts based on ridership.

The Cooperative Agreement with The Department of the Interior/National Park Service expired in June 2019. Management has entered into a new agreement in which NPs will provide a 15% increase in funding for all services.

The contract with the Fresno Council of Governments (FCOG) continues as a summer only service. There is no cost to YARTS to provide the service. Any changes to the contract will not have an effect on YARTS' financial stability.

REQUEST FOR INFORMATION

This financial report is designed to provide member jurisdictions, customers, investors and creditors with a general overview of YARTS' finances. If you have questions concerning any of the information provided in this report, or need additional information, direct inquiries to: Finance Director, Yosemite Area Regional Transportation System, 369 W. 18th Street, Merced, CA 95340.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS

Current assets:	
Cash and investments	\$ 2,098,779
Accounts receivable	63,720
Due from other agencies	487,134
Prepaid expenses	<u>16,764</u>
Total current assets	<u>2,666,397</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable	595,178
Depreciable	8,900,353
Accumulated depreciation	<u>(4,160,072)</u>
Capital assets, net of accumulated depreciation	<u>5,335,459</u>
Total noncurrent assets	<u>5,335,459</u>
Total assets	<u>8,001,856</u>

LIABILITIES

Current liabilities:	
Accounts payable	683,858
Unearned revenue	<u>88,148</u>
Total current liabilities	<u>772,006</u>
Total liabilities	<u>772,006</u>

NET POSITION

Net investment in capital assets	5,335,459
Unrestricted	<u>1,894,391</u>
Total net position	<u><u>\$ 7,229,850</u></u>

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

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

Operating revenues:	
Passenger fares	\$ 470,489
Charges for services	<u>210,452</u>
Total operating revenues	<u>680,941</u>
Operating expenses:	
Contracted services	1,989,467
Depreciation	541,213
Insurance	13,999
Professional services	865,083
Miscellaneous expense	6,260
Repairs and maintenance	15,391
General administration	<u>133,225</u>
Total operating expenses	<u>3,564,638</u>
Operating income (loss)	<u>(2,883,697)</u>
Nonoperating revenues:	
Federal and state grants	2,111,983
Contract revenue	363,310
Local support	266,405
Interest income	25,660
Other income	<u>51,972</u>
Total nonoperating revenues	<u>2,819,330</u>
Change in net position	(64,367)
Net position - beginning	<u>7,294,217</u>
Net position - ending	<u><u>\$ 7,229,850</u></u>

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

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

Cash flows from operating activities:	
Cash received from passengers	\$ 561,693
Other operating cash receipts	210,452
Cash payments to suppliers for goods and services	<u>(3,227,983)</u>
Net cash provided (used) by operating activities	<u>(2,455,838)</u>
Cash flows from noncapital and related financing activities:	
Federal, state and local operating assistance	2,721,042
Local transportation tax received	<u>266,405</u>
Net cash provided (used) by noncapital and related financing activities	<u>2,987,447</u>
Cash flows from investing activities:	
Interest received	25,660
Proceeds from the sale of assets	<u>27,050</u>
Net cash provided (used) by investing activities	<u>52,710</u>
Net increase in cash and investments	584,319
Cash and investments at beginning of year	<u>1,514,460</u>
Cash and investments at end of year	<u><u>\$ 2,098,779</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (2,883,697)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	541,213
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	67,739
(Increase) decrease in prepaid expenses	1,004
Increase (decrease) in unearned revenue	23,465
Increase (decrease) in accounts payable	<u>(205,562)</u>
Net cash provided (used) by operating activities	<u><u>\$ (2,455,838)</u></u>

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

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS**

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement: The Counties of Mariposa, Merced, and Mono entered into a joint powers agreement on September 21, 1999, to establish the Yosemite Area Regional Transportation System (YARTS). YARTS was established to undertake a demonstration project instituting passenger bus service to serve the geographic jurisdictions of the three counties and within Yosemite National Park. The project was established to:

1. Accommodate the increasing demand for visitation to Yosemite National Park through an increasing number of transportation options for visitors and employees;
2. Develop transportation alternatives in ways that do not degrade the visitor experience or the natural resources in the region; and
3. Undertake coordinated political and administrative efforts necessary to resolve issues, obtain funding from outside sources and to keep projects and programs on schedule.

YARTS is a public entity separate and distinct from its member entities. YARTS functions as the regional representative, within the combined territory of the members of the Joint Powers Authority, for transit and alternative transportation, as well as for supplemental and related matters to carry out the stated functions and purposes of this agreement.

Basis of Accounting: YARTS uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs and expenses of providing goods or services to its consumers be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriated for capital maintenances, public policy, management control, accountability, or other purposes.

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expense

Cash and Investments: YARTS' cash and investments are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. YARTS maintains cash in a financial institution and the treasury of Merced County. The County pools funds with those of other entities of the County and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly in the participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is authorized to deposit cash and invest excess funds by *California Government Code* Sections 53601 et. seq., 53635 et. seq., and 53648 et. seq.

Accounts Receivable: The “direct write-off” method for accounts receivable was applied for accounts that have been established as uncollectible. The “direct write-off” method is not in compliance with generally accepted accounting principles, but the result is immaterial to the financial statements taken as a whole. YARTS did not write-off any accounts receivable during the fiscal year. There were no accounts that were deemed to be uncollectible at June 30, 2019.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

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

Capital Assets: Capital assets are recorded at cost or estimated cost where costs are not available. Assets acquired through gifts or contributions are recorded at fair value at the time received. Self-constructed assets are capitalized at cost plus ancillary charges, including interest. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

YARTS capitalizes equipment with a cost of at least \$5,000 and an estimated useful life in excess of one year. All capitalized assets are depreciated using the straight-line method over their estimated useful lives. The estimated economic lives used to determine annual rates of depreciation are subject to periodic review and revision to assure that the costs of the respective assets will be written off over their economic lives.

The estimated useful lives for the various types of assets are as follows:

Land improvements	15 years
Buildings and improvements	10 - 30 years
Equipment	5 - 15 years

Accounts Payable: Certain costs are incurred by YARTS during the current period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. YARTS' current accounts payable balance of \$683,858 as of June 30, 2019, is related to certain contract services.

Unearned Revenues: YARTS records unearned revenue for transactions for which revenues have not been earned and have not yet met the revenue recognition criteria based on the accrual basis of accounting.

Net Position: Net position is reported in three categories as follows:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – This amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount consists of all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

When both restricted and unrestricted resources are available, it is YARTS' policy to deplete restricted resources first before unrestricted resources are used.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Fair Value of Financial Instruments: Financial instruments include cash, accounts receivable, due from other agencies, prepaid expenses, accounts payable, and unearned revenue, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statement of Net Position.

Governmental Accounting Standards Update: During the year ending June 30, 2019, YARTS implemented the following standards with no financial impact on the financial statements:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

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

Governmental Accounting Standards Update (continued):

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through February 14, 2020, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2019 consisted of the following:

	Cost	FMV
Cash in Well Fargo Bank	\$ 1,178,458	\$ 1,178,458
Investment in Merced County Treasury	913,222	920,321
Total cash and investments	\$ 2,091,680	\$ 2,098,779

YARTS' cash is held in a financial banking institution. Cash balances in banks are insured up to \$250,000, per financial institution by the Federal Depository Insurance Corporation (FDIC). Custodial credit risk is that in the event of a bank failure, the deposits will not be returned. The uninsured balances in the financial institution are under a collateralized agreement with Wells Fargo Bank and subject to Title 5, Division 2, Part 1, Chapter 4, Article 2 (commencing with Section 53630) of the Government Code of the State of California (the "Local Agency Deposit Security Law").

YARTS is authorized to deposit cash and invest excess funds by the California Government Code Sections 53601 et. seq., 53635 et. seq., and 53648 et. seq. The County is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The investment policy for the Merced County Treasury prohibits reverse repurchase securities and foreign investments.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. Investments in investment pools and other pooled investments are excluded from the concentration of credit risk disclosure under GASB Statement No. 40.

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 rate. As of June 30, 2019, the weighted average maturity of the investments contained in the Merced County Treasury investment pool was approximately 487 months.

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 Merced issues a financial report that includes custodial risk disclosures for the Cash in County Treasury. The report may be obtained by writing the Merced County Treasurer, 2222 M Street, Merced, California 95340.

YARTS categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

YARTS' only investments, which are allocated at fair value, are in the County of Merced Treasurer's Investment Pool. The County invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, it is not an investment type that can be categorized in any particular level in the fair value hierarchy.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2019</u>
Nondepreciable:				
Land	\$ 595,178	\$ -	\$ -	\$ 595,178
Total nondepreciable	<u>595,178</u>	<u>-</u>	<u>-</u>	<u>595,178</u>
Depreciable:				
Land improvements	325,438	-	-	325,438
Buildings and equipment	<u>8,574,915</u>	<u>-</u>	<u>-</u>	<u>8,574,915</u>
Total depreciable	8,900,353	-	-	8,900,353
Less: accumulated depreciation	<u>(3,618,859)</u>	<u>(541,213)</u>	<u>-</u>	<u>(4,160,072)</u>
Total depreciable, net	<u>5,281,494</u>	<u>(541,213)</u>	<u>-</u>	<u>4,740,281</u>
Net capital assets	<u>\$ 5,876,672</u>	<u>\$ (541,213)</u>	<u>\$ -</u>	<u>\$ 5,335,459</u>

Buildings and equipment include the costs associated with planning and constructing the park and ride facility, buses, bus stops and staging areas.

The amount recorded for depreciation was \$541,213 for the year ended June 30, 2019.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 4 – CONTRACTUAL AGREEMENTS

National Park Service

YARTS entered into a cooperative agreement with the National Park Service which detailed the National Park Service's commitment to, and funding obligations for, the operations of YARTS and the transit system to be planned, established, managed, and evaluated by YARTS and the National Park Service. The agreement stipulated the National Park Service would:

1. Provide monetary support to YARTS as an operational subsidy for the Demonstration Project;
2. Promote regional transit service;
3. Consider and incorporate the needs of YARTS in the National Park Service planning process, land use decisions, circulation changes, and operational changes within the boundaries of Yosemite National Park;
4. Assist YARTS by providing oversight and comments on the Request for Proposals processes; and
5. Assist in marketing of the regional transit service.

Merced County Association of Governments

YARTS has had an on-going administrative agreement with Merced County Association of Governments (MCAG), an affiliated organization, to provide administrative services, including transit service management and marketing, financial and grant administration and transportation planning services. The most current agreement consists of a one-year term effective July 1, 2014 and allows for automatic annual extensions through June 30, 2019. Payment of MCAG's services is based on a monthly cost reimbursement basis.

Amtrak

YARTS entered into an Amtrak Thruway agreement on June 1, 2007, which allows Amtrak passengers to purchase tickets to locations within Yosemite National Park not served by rail lines. From the Merced Amtrak Station, passengers transfer to a YARTS serviced shuttle van or luxury motor coach. When purchasing Amtrak tickets to Yosemite, the transportation and admission to the park are included. YARTS receives a monthly payment from Amtrak for these services. This agreement has been amended to terminate at June 30, 2020.

VIA Adventures

On October 1, 2012, YARTS entered into an operating agreement with VIA Adventures, Inc. to provide transportation services and equipment for the period October 1, 2012 through October 31, 2017. The contract can extend with mutual written agreement. YARTS will receive no sublease rental revenues nor pay any contingent rentals for the transportation equipment. YARTS incurred \$2,482,047 in transportation and equipment services provided by VIA Adventures for the year ended June 30, 2019. This agreement has been amended to terminate on October 31, 2020.

Fresno Council of Governments (FCOG)

On November 26, 2014, YARTS entered into a two-year contract to provide public transit service from Fresno to Yosemite National Park effective May 23, 2015 through June 30, 2018. The contract can be extended with mutual written agreement. YARTS' services are not provided to FCOG with an income generating purpose. All amounts billed to FCOG for services rendered are actual allocated costs incurred associated with providing the transit service from Fresno to Yosemite National Park. Revenues relating to this service are presented as charges for services and expenses are presented as operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position. This agreement has been amended to terminate on July 30, 2022.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

NOTE 5 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS

Section 6633

Pursuant to Section 6633.2 of the California Administrative Code, YARTS is required to meet a passenger fare revenue recovery ratio of 10% for rural fixed services. The ratio for the fiscal year ended June 30, 2019 was 15.7%.

YARTS' passenger fare recovery ratio for the rural services with fixed routes is as follows at June 30, 2019:

	Fixed Routes
	Rural
Passenger fare revenue	\$ 470,489
Adjusted revenues	\$ 470,489
Operating costs	\$ 3,003,461
Adjusted operating costs	\$ 3,003,461
Revenue recovery ratio	15.7%

NOTE 6 – COMMITMENTS AND CONTINGENCIES

YARTS has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material. The current economic climate may impact future funding levels from governmental sources. However, we are not aware of any current funding decreases that would be subject to disclosure.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND THE TRANSPORTATION DEVELOPMENT ACT**

To the Board of Commissioners of
Yosemite Area Regional Transportation System
Merced, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Yosemite Area Regional Transportation System (YARTS), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the YARTS' financial statements, and have issued our report thereon dated February 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the YARTS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the YARTS' internal control. Accordingly, we do not express an opinion on the effectiveness of the YARTS' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the YARTS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable statutes, rules and regulations of the Transportation Development Act, including Public Utilities Code Section 99245 as enacted and amended by statute through June 30, 2019 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* or the Transportation Development Act.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the YARTS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Transportation Development Act in considering the YARTS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
February 14, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Commissioners of
Yosemite Area Regional Transportation System
Merced, California

Report on Compliance for Each Major Federal Program

We have audited the Yosemite Area Regional Transportation System's (YARTS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of YARTS' major federal programs for the year ended June 30, 2019. YARTS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of YARTS' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 YARTS' 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 on compliance for each major federal program. However, our audit does not provide a legal determination of YARTS' compliance.

Opinion on Each Major Federal Program

In our opinion the YARTS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of YARTS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered YARTS' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of YARTS' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
February 14, 2020

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-through Grantor/Programs Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Program Number</u>	<u>Pass-Through to Sub-Recipients</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed through California Department of Transportation:				
Highway Planning and Construction Cluster:				
Congestion Mitigation Air Quality	20.205	CML 6305(012)	\$ -	\$ 7,189
Congestion Mitigation Air Quality	20.205	CML 6305(013)	-	12,148
Congestion Mitigation Air Quality	20.205	CML 6305(014)	-	85,000
Total Congestion Mitigation Air Quality			<u>-</u>	<u>104,337</u>
Federal Land Access Program	20.224	6982AF1840101	-	55,000
Total Highway Planning and Construction Cluster			-	159,337
Formula Grants for Other Than Urbanized Areas	20.509	64CO18-00592	-	9,315
Formula Grants for Other Than Urbanized Areas	20.509	64CO19-00907	-	283,186
5311 F Planning	20.509	64CP17-00474	-	67,145
Total U.S. Department of Transportation			<u>-</u>	<u>518,983</u>
<u>U.S Department of Interior</u>				
Direct Program:				
Natural Resources Stewardship	15.944	CO-OP#PA15AC01314	-	244,375
Natural Resources Stewardship	15.944	CO-OP#PA15AC01314	-	1,048,625
Total U.S. Department of Interior			<u>-</u>	<u>1,293,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 1,811,983</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents all the activity of all the federal award programs of the Yosemite Area Regional Transportation System (YARTS) for the year ended June 30, 2019. The YARTS reporting entity is defined in Note 1 to the YARTS' financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING & PRESENTATION

Consistent with YARTS' method of filing federal financial reports, the accompanying Schedule of Expenditures of Federal Awards is prepared using the accrual basis method of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S., *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within YARTS' financial statements.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related periodic federal financial reports.

NOTE 4 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers included in the accompanying Schedule of Expenditures of Federal Awards were determined based on the program name, review of the grant or contract information and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 5 – PASS-THROUGH ENTITY IDENTIFYING NUMBERS

When Federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, YARTS has either determined that no identifying number is assigned for the program or YARTS was unable to obtain an identifying number from the pass-through entity.

NOTE 6 – INDIRECT COST RATE LIMITATION

YARTS does not use the 10 percent de minimis indirect cost rate.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) that are not considered to be material weaknesses?	_____ Yes <u> X </u> None reported
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
Material weakness identified?	_____ Yes <u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes <u> X </u> None reported
Noncompliance material to federal awards?	_____ Yes <u> X </u> No
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)	_____ Yes <u> X </u> No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
15.944	Natural Resources Stewardship
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as a low risk auditee?	<u> X </u> Yes _____ No

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported in accordance with *Government Auditing Standards*.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported in accordance with the Uniform Guidance.

YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings to be reported in accordance with *Government Auditing Standards*.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings to be reported in accordance with the Uniform Guidance.