

AGENDA ITEM 1 E
Consent Item

MEMORANDUM

DATE: December 5, 2019

TO: El Dorado County Transit Authority

FROM: Julie Petersen, Finance Manager

SUBJECT: Receive and File Fiscal Year 2018/19 Independent Financial Audit, Single Audit and Compliance Reports

REQUESTED ACTION:

BY MOTION,

Receive and File Independent Financial Audit, Single Audit and Compliance Reports for Fiscal Year 2018/19 for the El Dorado County Transit Authority

BACKGROUND

The El Dorado County Transportation Commission (EDCTC) is responsible to ensure that the El Dorado County Transit Authority (El Dorado Transit), as a Transportation Development Act (TDA) claimant, annually submits an independent financial audit per Public Utilities Commission Code 99245. The fiscal and compliance audits are performed in accordance with Generally Accepted Accounting Principles by a certified public accounting firm and include a determination of compliance with TDA rules and regulations. The El Dorado Transit fiscal year (FY) 2018/19 compliance audit and single audit are included in the EDCTC Overall Work Program.

EDCTC awarded a contract to Richardson & Company to produce compliance audits and reports for all FY 2018/19 TDA claimants including El Dorado Transit.

DISCUSSION

Ingrid Shepline and Heidi McLucas of Richardson & Company are scheduled to present the Financial and Compliance audits to El Dorado Transit Chair Mark Acuna and Vice Chair John Hidahl on November 25, 2019. El Dorado Transit staff attending will be Matthew Mauk, Executive Director and Julie Petersen, Finance Manager. Discussion items will include the following:

Richardson & Company reports that El Dorado Transit received a clean opinion under the generally accepted auditing standards.

There were eight (8) proposed journal entry adjustments made by the auditors including the following;

Two (2) adjustments surrounding the “truing-up” of Inflows and GASB 68 as outlined in the Financial Statements.

Response: This is a requirement as set forth by GASB.

One (1) adjustment to capture true up for State Transit Assistance (STA) allocations.

Response: Final Adjustment for allocation used between operating and capital expenses.

One (1) adjustment to reclassify funds released from restriction to non restricted cash.

Response: Final Adjustment to correctly allocate deferred assets.

One (1) adjustment to true-up Net Assets invested in Property, Plant and Equipment (PPE) to unrestricted.

Response: Final Adjustment recognizing commuter bus lease to own process.

One (1) adjustment to record current portion of long-term debt.

Response: Adjustment recognizing commuter bus lease to own process.

One (1) adjustment to Reclassifying the current portion of compensated absences.

Response: This is required each year to break out the current portion of the total liability, potentially due within one (1) year.

One (1) adjustment to restrict fund balance for sales of assets per federal guidelines.

Response: Creating the set-aside for future federal procurements from similar sources.

Included in the Audited Financial Statements are a Financial Audit and Compliance Reports.

FINANCIAL AUDIT

El Dorado Transit staff is pleased to report that the FY 2018/19 Independent Financial Audit has identified no material weaknesses.

The financial audit is a measure of financial activity and compliance to government code during the given fiscal period. Highlights include net assets of El Dorado Transit exceeding its liabilities by \$13,787,745 with unrestricted net asset of \$153,313. It is the opinion of management that the unrestricted net assets indicate a good fiscal condition for El Dorado Transit.

COMPLIANCE REPORT

The audit report states with regard to the laws, regulations and provisions of the TDA, the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA), the California Transit Security Grant Program (CTSGBP), and the Low Carbon-Transit Operations Program (LCTOP) applicable to El Dorado Transit, “The results of our tests disclosed no instances

of noncompliance or other matters that are required to be reported under Government Auditing Standards.”

SINGLE AUDIT

El Dorado Transit staff is pleased to report that the FY 2018/19 Independent Single Audit identified no material weaknesses.

The Single Audit is a report of 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 “trigger” for a single audit is an agency receiving over \$750,000 of federal funding in one fiscal year. El Dorado Transit received \$759,322 in federal funding during FY 2018/19 that included one (1) operating assistance grant and four (4) capital assistance grants for rolling stock.

The primary function of a Single Audit is to review internal controls, purchasing procedures and reporting standards of agencies receiving federal grant funds. The Single Audit beginning on page 44 expresses that El Dorado Transit acted in accordance with regard to Compliance; Internal Control over Compliance; and Schedule of Expenditures of Federal Awards.