

AGENDA ITEM 1 F
Consent Item

MEMORANDUM

DATE: December 3, 2020
TO: El Dorado County Transit Authority
FROM: Julie Petersen, Finance Manager
SUBJECT: Receive and File Fiscal Year 2019/20 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 2019/20 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) 2019/20 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 2019/20 TDA claimants including El Dorado Transit.

DISCUSSION

Brian Nash of Richardson & Company presented the Financial and Compliance audits to staff and the Ad Hoc Audit Review Committee comprised of Chair John Hidahl and Vice Chair Kara Taylor on November 24, 2020. Discussion items included 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.

One (1) adjustment to true-up deferred Inflows / Outflows under Other Post Employee Benefits (OPEB) as outlined in the Financial Statements.

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

One (1) adjustment to State Transit Assistance (STA) allocations to recognize funds for capital use and reclassify remaining to capital fund.

Response: Final adjustment to fund additional fixed asset purchases and allocate STA Funds to the debt service of the bus leases.

One (1) adjustment to accrue Federal grant funds used for vehicle purchase.

Response: Final Adjustment to earn Section 5310 funds in proper year.

One (1) adjustment to defer Federal grant funds above qualifying expenses.

Response: Final Adjustment to defer funds for reprogramming.

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

Response: The adjustments reclassify the first loan payment due that was recorded in accounts payable.

One (1) adjustment to reclassify 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 true-up restricted fund balance for State CalOES funds.

Response: Closing entry to true-up restricted cash.

One (1) adjustment to unearned and deferred Local Transportation Fund (LTF) funds.

Response: Client entry to adjust LTF after impact of other audit adjustments and defer funds for FY 2020/21.

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 2019/20 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 \$14,052,925 with unrestricted net asset of \$1,407,167. 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, or the TDA or State grant program requirements.”

SINGLE AUDIT

The Single Audit is a supplementary report of internal control over federal program financial reporting and compliance based on an audit of financial statements performed in accordance with government auditing standards. The primary function of a Single Audit is to review internal controls, purchasing procedures and reporting standards of agencies receiving federal grant funds. The trigger for conducting a Single Audit is an agency receiving over \$750,000 of federal funding in one fiscal year. El Dorado Transit received \$2,925,238 in federal funding during FY 2019/20 that included operating assistance grants from the CARES Act pandemic relief program and one (1) capital assistance grant for rolling stock.

El Dorado Transit is reporting that the FY 2019/20 Independent Single Audit identified no material weaknesses in internal control over compliance. A deficiency was found related to the inclusion of one (1) vehicle on the Schedule of Expenditures of Federal Awards (SEFA). Each year El Dorado Transit provides the external auditors a SEFA to assist the auditors in determining if a Single Audit is warranted and which federal programs should be selected. Staff incorrectly included a vehicle in the SEFA that was received ten (10) days after the close of the audit period. Details of the item are found on page 46 of the Audit.

Following Board acceptance, the full FY 2019/20 Independent Financial Audit Report will be available on El Dorado Transit’s website and will be made available for public review upon request at El Dorado Transit’s offices during normal business hours.