

**YOSEMITE AREA REGIONAL
TRANSPORTATION SYSTEM**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2010**

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
JUNE 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the
Yosemite Area Regional Transportation System

We have audited the accompanying financial statements of the Yosemite Area Regional Transportation System – a Joint Powers Authority comprised of Mariposa County, Merced County, and Mono County, California, as of and for the year ended June 30, 2010. These financial statements are the responsibility of Yosemite Area Regional Transportation System's management. Our responsibility is to express opinions 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 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Yosemite Area Regional Transportation System as of June 30, 2010, and the changes in financial position and cash flows for the year 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 January 11, 2011, on our consideration of Yosemite Area Regional Transportation System'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 important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Yosemite Area Regional Transportation System's financial statements as a whole. 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 Yosemite Area Regional Transportation System. 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. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Price Pange & Company

Clovis, California
January 11, 2011

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010. 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, 2010, are \$4,135,427. This is an increase of \$1,495,204 over the ending balance of the prior fiscal year.
- ❖ Federal Grant revenue increased over the prior fiscal year by \$793,370, this is due to an increase in ARRA funding for the Mariposa Park & Ride project.
- ❖ Passenger fares for the fiscal year ending June 30, 2010, were \$499,879, an increase of 7.9% over the prior fiscal year. Ridership increased 3.17% over the previous fiscal year.

Overview of Annual Financial Report

The Management's Discussion and Analysis is intended to serve as an introduction to YARTS's basic financial statements. YARTS's basic financial statements are comprised of four components: balance sheet; statement of revenues, expenses and changes in net assets; statement of cash flows; and notes to the basic financial statements.

The statements of net assets present information on all of YARTS's assets and liabilities with the difference between the two reported as net assets. Over time, increases and decreases in net assets 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 assets present information on revenues, expenses, capital contributions, and how YARTS's net assets changed during the year. All changes in net assets 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 assets may serve as an indicator of the effect of YARTS's current year operations on its financial position.

The statement of cash flows summarize all of YARTS's cash flows into four categories: cash flow from operating activities; cash flows from non-capital financing activities; cash flows from capital and related financial activities; and cash flow from investing activities. The statement of cash flows, along with related notes and information on other financial statements, can be used to assess YARTS's ability to generate positive future cash flows and operating income (loss); and the effect of cash and non-cash investing, capital, and financing activities on YARTS's 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 assets; statement of revenues, expenses and changes in net assets; 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 DISCUSSION AND ANALYSIS
JUNE 30, 2010**

FINANCIAL ANALYSIS

Statement of Net Assets

Total assets of YARTS exceeded total liabilities by \$3,656,873. A condensed summary of YARTS's net assets at June 30, 2010, is shown below:

**Table 1
Yosemite Area Regional Transportation Systems
Statements of Net Assets**

	2010	2009	% Change
Assets:			
Current Assets	1,515,089	850,179	78.2%
Capital Assets (net)	2,620,338	1,790,044	46.4%
Total Assets	4,135,427	2,640,223	56.6%
Liabilities:			
Current Liabilities	478,554	172,242	177.8%
Total Liabilities	478,554	172,242	177.8%
Net Assets:			
Invested in Capital Assets	2,620,338	1,790,044	46.4%
Unrestricted	1,036,535	677,937	52.9%
Total Net Assets	3,656,873	2,467,981	48.2%

Statement of Revenues, Expenses, and Changes in Net Assets

Total revenue of YARTS for the fiscal year ended June 30, 2010, including operating revenue and non-operating revenue, was \$2,956,250. This was an increase over the prior fiscal year by \$845,895. This increase was due to the increase in federal grant revenue for the Mariposa Park & Ride project.

Total expenses of YARTS for the fiscal year ended June 30, 2010, were \$1,767,358; this is a decrease of \$107,653 over the previous fiscal year. This decrease is due to lower operations expense

Change in net assets for YARTS for the fiscal year ended June 30, 2010, was \$1,188,892.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2010**

A condensed summary of YARTS's net assets at June 30, 2010, is shown below:

**Table 2
Yosemite Area Regional Transportation System
Statements of Revenues, Expenses, and Changes in Net Assets**

	2010	2009	% Change
Operating Revenues:			
Passenger Fares	499,879	463,368	7.9%
Total Operating Revenues	499,879	463,368	7.9%
Operating Expenses:			
Operations	1,508,957	1,652,317	-8.7%
Depreciation	40,773	40,773	0.0%
General Administration	204,079	181,903	12.2%
Total Operating Expenses	1,753,809	1,874,993	-6.5%
Operating Income (Loss)	(1,253,930)	(1,411,625)	-11.2%
Non-operating Revenues and Expenses:			
Federal Grants	1,959,854	1,166,484	68.0%
Contracts	299,838	301,223	0.0%
Local Support	166,360	166,360	0.0%
Interest Income	9,910	12,545	-21.0%
Other Income	20,409	375	5342.0%
Contracts Expense	(13,549)	0	0.0%
Total Non-operating Revenues	2,442,822	1,646,987	43.3%
Income (Loss) Before Capital Contribution	1,188,892	235,362	405.1%
Capital Contributions	0	0	0.0%
Change in Net Assets	1,188,892	235,362	405.1%
Net Assets, Beginning	2,467,981	2,129,327	1.2%
Prior Period Adjustment	0	103,292	100.0%
Net Assets, Ending	3,656,873	2,467,981	48.2%

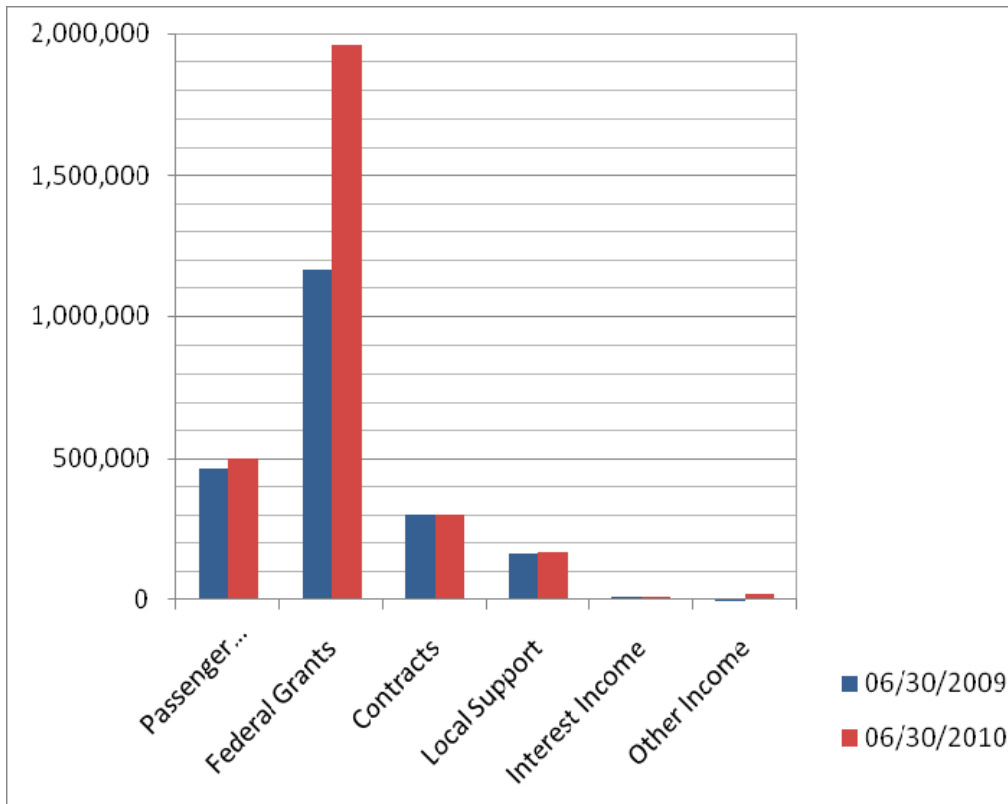
YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2010

Analysis of Revenue

Operating revenue increased at the farebox by \$36,511. Federal grant funding also increased by \$793,370 over fiscal year ending June 30, 2009.

The following chart shows revenue for the fiscal years ended June 30, 2009 and 2010.

Revenue



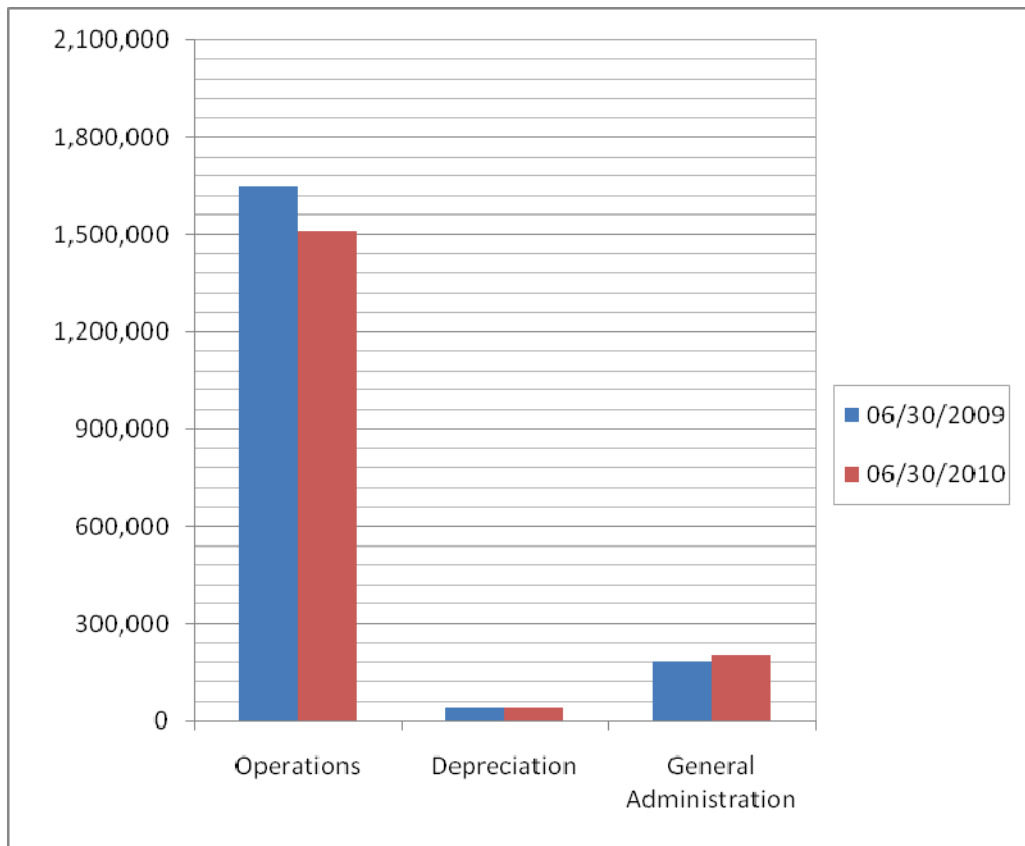
**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Analysis of Expenditures

In fiscal year ended June 30, 2010 total expenditures were \$1,767,358, a decrease of \$107,635 from the prior fiscal year. This decrease is due to decreased operations expense.

The following chart shows expenses for the fiscal years ended June 30, 2009 and 2010.

Expenses



CAPITAL ASSET ADMINISTRATION

Capital Assets

YARTS investment capital assets as of June 30, 2010 were \$2,620,338 compared to \$1,790,044 in the fiscal year ended June 30, 2009. This change is due to construction in progress and purchase of a bus. Investment in capital assets include: real property and the establishment of the Mariposa Park & Ride project owned by the system.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2010**

FACTORS BEARING ON YARTS'S FUTURE

During the 2010-2011 fiscal year YARTS will be entering into its 11th year of operation. The service continues to provide a viable alternative to driving to Yosemite National Park and in the surrounding communities.

Ridership

The first half of the 2009-2010 fiscal year saw ridership dip below the previous year, mostly because the numbers from the previous year were surprisingly high. High gas prices contributed to the surge in ridership during that period. The second half of the year reported an increase of 17.1% and the year ended with a modest increase of 3.17%. The positive momentum from the second half will very likely carry into the new fiscal year and it is anticipated that 2010-2011 will record another annual increase in ridership.

Despite continuing increases in ridership, it is a given that fare box revenue will decrease over the upcoming year. Adjustments in the "transit benefits program", offered to employees of the Park Service in Yosemite, will decrease revenues by approximately \$90,000. The budgeting for the upcoming year anticipates those changes.

YARTS Projects

New Buses

YARTS is trying to move toward a fleet of nine YARTS-owned buses rather than contracting for the vehicles. The new buses being sought are 45-foot, clean diesel, over-the-road coaches what will provide added capacity, reduce emissions, be more reliable, lower operating costs, be ADA compliant, and offer 3-point seat belts for rider safety. Savings to operating costs from the new fleet are estimated at 15%.

During the past year, one new bus was put into service and it is anticipated that an order for three more will be placed during the upcoming fiscal year. It is likely, because of the delay of manufacturing times, that the three additional buses will be delivered during calendar 2011, but following the end of the 2010-11 fiscal year.

Funding for five additional buses has been secured, but the match funding required to complete the project is dependent on the state providing PTMISEA funding from bond sales. Those bond sales have been unpredictable so the timing of the order to complete the fleet is uncertain at this time.

Park and Ride Facility

The construction of a park and ride facility in the town of Mariposa is expected to see completion at the end of calendar 2010. Funding for the project was secured through the Alternative Transportation in Parks and Public Lands Program and from the American Recovery and Reinvestment Act (stimulus program). When completed, the facility will offer 84 parking spaces of different types, restrooms, bicycle lockers, and security cameras. The project is being constructed by Teichert Construction (Turlock) and managed through contract by Mariposa County Public Works Department.

Exclusively for the use of YARTS riders, the 84 spaces should help ease long-term parking demands in the community and encourage the use of transit as an alternative to driving in the Yosemite region.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2010**

YARTS Short Range Transit Plan

The YARTS Short Range Transit Plan (SRTP) started before the end of the fiscal year, but will run far into the next year. This planning effort will be the most thorough planning effort in more than a decade and will provide the YARTS Board with detailed guidance to decision making for the next five years.

As a part of the SRTP, a new marketing plan will be prepared. With the world being an ever-changing place, the new marketing plan will seek improvements in YARTS current efforts to reach out to potential riders and encourage their use of the service and should contribute to increased ridership.

Potential for Expanded Service

Discussions in Tuolumne County and Fresno County indicate interest in the possibility of YARTS service between those jurisdictions and Yosemite National Park. In Tuolumne County, the Short Range Transit Plan being conducted there had not been completed; however a draft of the plan offered YARTS as one of the options to provide service to Yosemite. A finish date for the plan was uncertain at the end of the fiscal year.

In Fresno, a feasibility study is underway to evaluate the viability of transit service between Fresno and two national parks, Kings Canyon/Sequoia and Yosemite. Completion of the study is expected by February 2011.

YARTS management has been contacted/consulted on each of the study efforts and is staying current with the progress of each. Much work beyond the initial studies would have to take place for any transit service to begin carrying riders in any of the study areas.

Funding Challenges

All public transit operations rely on subsidy from a number of sources to operate. YARTS is somewhat unique in that it does not currently receive any of the "formula" funding that most public transit services depend on. YARTS funding is dependent on local contributions from member-counties to the YARTS Joint Powers Authority (JPA), contractual arrangements, and state and federal discretionary funding sources. All of these sources seem secure at this time.

The 2010-2011 budget, approved by the Board of Commissioners in April of 2010, provides for 13.3% of revenue coming from member counties, 34.2% coming from NPS and Amtrak agreements, 24% coming from fare box revenues and the remainder coming from grants.

More traditional and predictable transit funding sources are sought continually by YARTS management. The solutions will come slowly as all will require state or federal legislation.

Request for Information

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

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
STATEMENT OF NET ASSETS
JUNE 30, 2010**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 172,213
Accounts receivable	38,299
Grants receivable	<u>1,304,577</u>
Total current assets	<u>1,515,089</u>

Capital Assets:

Depreciable assets:

Assets acquired with grant funds	2,582,700
Less accumulated depreciation	<u>(348,390)</u>
Total depreciable assets	2,234,310

Nondepreciable assets:

Construction in progress	<u>386,028</u>
Total nondepreciable assets	386,028

Total capital assets	<u>2,620,338</u>
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Total assets	<u>4,135,427</u>
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LIABILITIES

Current Liabilities:

Accounts payable	<u>478,554</u>
Total current liabilities	<u>478,554</u>

NET ASSETS

Invested in capital assets	2,620,338
Unrestricted	<u>1,036,535</u>
Total net assets	<u><u>\$ 3,656,873</u></u>

The notes to the financial statements are an integral part of this statement.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

Operating revenue:	
Passenger fares	<u>\$ 499,879</u>
Operating expenses:	
Operations	1,508,957
Depreciation	40,773
General administration	<u>204,079</u>
Total operating expenses	<u>1,753,809</u>
Operating income (loss)	<u>(1,253,930)</u>
Non-operating revenues and expenses:	
Federal grants	1,959,854
Contracts revenue	299,838
Local support	166,360
Interest income	9,910
Other income	20,409
Contracts expense	<u>(13,549)</u>
Total non-operating	<u>2,442,822</u>
Change in net assets	1,188,892
Net assets - beginning of year	<u>2,467,981</u>
Net assets - end of year	<u><u>\$ 3,656,873</u></u>

The notes to the financial statements are an integral part of this statement.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

Cash flows from operating activities:	
Cash received from passengers	\$ 544,389
Cash payments to suppliers for goods and services	<u>(1,406,724)</u>
Net cash provided (used) by operating activities	<u>(862,335)</u>
Cash flows from non-capital and related financing activities:	
Federal, state and local assistance	1,387,108
Contracts expense	<u>(13,549)</u>
Net cash provided (used) by non-capital and related financing activities	<u>1,373,559</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets and construction in progress	<u>(871,067)</u>
Net cash provided (used) by capital and related financing activities	<u>(871,067)</u>
Cash flows from investing activities:	
Interest received	<u>9,910</u>
Net cash provided (used) by investing activities	<u>9,910</u>
Net increase (decrease) in cash and cash equivalents	(349,933)
Cash and cash equivalents at beginning of year	<u>522,146</u>
Cash and cash equivalents at end of year	<u>\$ 172,213</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,253,930)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	40,773
Changes in assets and liabilities:	
Accounts receivable	44,510
Accounts payable	<u>306,312</u>
Net cash provided (used) by operating activities	<u>\$ (862,335)</u>

The notes to the financial statements are an integral part of this statement.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Counties of Mariposa, Merced, and Mono have entered into a joint powers agreement dated 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 initial term of the project was to be two years from the beginning of service. 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.

B. Cooperative Agreement with the National Park Service

YARTS entered into a written agreement with the National Park Service which outlined the various responsibilities of the National Park Service and YARTS, and 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 originally stipulated the National Park Service will:

- (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 used decisions, circulation changes, and operational changes within the boundaries of Yosemite National Park;
- (4) assist YARTS by providing oversight and comment on the Request for Proposals processes; and
- (5) assist in the marketing of the regional transit service.

C. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all Financial Accounting Standards Board (FASB) statement and authoritative pronouncement issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. YARTS has elected not to apply FASB statements issued subsequent to November 30, 1989.

YARTS's accounting records are maintained by the Merced County Association of Governments on the accrual basis of accounting. YARTS is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purpose. Proprietary Fund Financial Statements include a Statement of Net Assets, Statement of Revenue, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major fund aggregated.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprises, where the intent of the governing body is that the cost and expenses of providing goods or services to its consumers are financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, 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 (current and noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. 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.

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 non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses. The principal operating revenues of YARTS are charges for providing transportation services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

When both restricted and unrestricted resources are available for use, it is YARTS's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the YARTS considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. YARTS's cash is considered to be cash held by the County of Merced. The County of Merced allocates interest to YARTS's ending cash balances in the County of Merced Treasury.

2. 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 was deemed 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, 2010.

3. Accounts Payable

Certain costs are incurred by YARTS during the current period but are not paid until after the beginning of next fiscal period. These costs are reported as payables in the financial statements. YARTS's current accounts payable balance of \$478,554 as of June 30, 2010, is related to certain contract services.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Assets (continued)

4. Capital Assets

YARTS's capitalization policy requires expenditures to be capitalized when the useful life of the asset acquired or constructed exceeds five year and/or the useful life of an existing asset is increased beyond its original useful life. Capital assets are recorded at cost. Depreciation is computed using the straight-line method over the asset's estimated useful life of ranging from five to fifty years. The costs of normal repairs and maintenance are charged to expense as incurred.

5. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

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

Unrestricted – This amount consists of all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

6. 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.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in the Merced County Treasury as part of the common investment pool. These pooled funds are carried at cost, which approximates market value. Interest is paid quarterly into the participating funds. Any investment losses are proportionately shared by all funds in the pool. The fair market value of this pool as of June 30, 2010, was provided by the pool sponsor.

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. The County is restricted by California 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, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The investment policy for the Merced County Treasury prohibits reverse repurchase agreements and investments in foreign investments.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 – CASH AND CASH EQUIVALENTS (continued)

Cash and investments are comprised of the following at June 30, 2010:

	<u>Cost</u>	<u>FMV</u>
Deposits:		
Cash in County Treasury	<u>\$ 172,213</u>	<u>\$ 172,213</u>

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. 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 credit 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.

NOTE 3 – CAPITAL ASSETS

A summary of capital assets for the fiscal year 2010, is as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Depreciable assets:				
Tangible transit operating property	\$ 2,038,656	\$ 544,044	\$ -	\$ 2,582,700
Less accumulated depreciation	<u>(307,617)</u>	<u>(40,773)</u>	<u>-</u>	<u>(348,390)</u>
Net depreciable assets	1,731,039	503,271	-	2,234,310
Construction in progress	<u>59,005</u>	<u>327,023</u>	<u>-</u>	<u>386,028</u>
Total capital assets	<u>\$ 1,790,044</u>	<u>\$ 830,294</u>	<u>\$ -</u>	<u>\$ 2,620,338</u>

Tangible transit operating property includes the costs associated with planning and constructing the bus stops and staging areas.

The amount recorded for depreciation for the year ended June 30, 2010, was \$40,773.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 – OPERATING LEASES

On May 23, 2007, YARTS entered into an agreement with VIA Adventures, Inc. to provide transportation services and equipment for the period June 1, 2007, through May 31, 2012. The agreement contains termination clauses providing for cancellation after a specified number of days written notice. YARTS will receive no sublease rental revenues nor pay any contingent rentals for the transportation equipment. YARTS incurred \$1,507,538 in transportation and equipment services provided by VIA Adventures for the year ended June 30, 2010.

NOTE 5 – 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.

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OTHER INFORMATION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of
Yosemite Area Regional Transportation System

We have audited the compliance of Yosemite Area Regional Transportation System (YARTS), a Joint Powers Authority comprised of Mariposa County, Merced, County, and Mono County, California, as of and for the year ended June 30, 2010, and have issued our report thereon dated January 11, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered YARTS's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of YARTS'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 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.

Our consideration of internal control over financial reporting 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 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 YARTS'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, management, others within the organization, the Board of Commissioners, 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.

Price Pange & Company

Clovis, California
January 11, 2011



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

To the Board of Commissioners of
Yosemite Area Regional Transportation System

Compliance

We have audited the compliance of Yosemite Area Regional Transportation System (YARTS) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. YARTS's major federal programs are identified in the summary of auditor's 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 YARTS's management. Our responsibility is to express an opinion on YARTS'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 YARTS'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 YARTS's compliance with those requirements.

In our opinion, YARTS complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of YARTS, 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 YART's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 YARTS'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 was not designed to 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.

This report is intended solely for the information and use of, management, others within the organization, the Board of Commissioners, 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.

Price Pange & Company

Clovis, California
January 11, 2011

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contact or Program Number</u>	<u>Federal Expenditures</u>
<u>Federal Programs</u>			
<u>U.S. Department of Transportation</u>			
Direct Programs:			
FTA Section 5309	20.500	CA-03-0721-01	\$ -
FTA Section 5309	20.500	CA-04-0551	119,255
FTA ATPPL	20.520		201,269
FTA ATPPL	20.520	CA-20-0002	71,523
Passed through California Department of Transportation:			
ARRA - FTA Section 5311(f)	20.509		535,000
ARRA - FTA Section 5311(f)	20.509		294,558
FTA Section 5311(f)	20.509	Grant #24 Contr #647426	347,429
CMAQ	20.205	CML-6305(003)	<u>58,267</u>
Total U.S. Department of Transportation			<u>1,627,301</u>
<u>U.S. Department of Interior</u>			
Direct Program:			
National Parks	none	Co-op #F8826-05-01-01	<u>318,824</u>
Total U.S. Department of Interior			<u>318,824</u>
Total Expenditures of Federal Awards			<u>\$ 1,946,125</u>

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Yosemite Area Regional Transportation System 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*.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Yosemite Area Regional Transportation System did not provide any federal awards to subrecipients.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
 Material weaknesses identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.509	FTA Section 5311(f)
20.509	ARRA - FTA Section 5311(f)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ yes X no

YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION II – FINANCIAL STATEMENT FINDINGS

Internal Control

Finding 09-1

Criteria: YARTS is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). YARTS's internal control over GAAP financial reporting should include personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP-based financial statements to ensure that they are free of material misstatements and include all disclosures required by the Governmental Accounting Standards Board (GASB).

Condition: While YARTS maintains controls over the processing of accounting transactions and the preparation of the related unaudited actual balances (which are the basis for the financial statements), there are not sufficient controls over the preparation of disclosures related to the GAAP-based financial statements sufficient for management or employees in the normal course of performing their assigned functions to prevent or detect disclosure omissions or misstatements in a timely manner.

Effect: Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement disclosure omissions or misstatements in a timely manner.

Cause: Due to a change of audit procedures dictated by Statement on Auditing Standards No. 112, issued by the American Institute of Certified Public Accountants' Auditing Standards Board, a long-standing practice of contracting with the audit firm to produce annual financial statements, including the related disclosures, has come under additional scrutiny.

Recommendation: As part of its internal control over the preparation of its financial statement, including disclosures, YARTS should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles (GAAP), GASB pronouncements, and knowledge of YARTS's activities and operations.

Status:

Implemented

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

Net Assets

Finding 09-2

Criteria: YARTS is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: YARTS did not record prior year audit adjustments. Consequently, YARTS accounting records did not accurately reflect financial position or results of operations. Significant audit adjustments were required to reconcile opening balances.

Effect: Assets were understated \$1,771,812, liabilities were understated \$302,434, and net assets were understated \$1,469,378.

Recommendation: The accounting records must accurately reflect the financial position of YARTS. Adjustments identified during an audit should be posted promptly to the accounting records upon acceptance and issuance of the financial statements. After an accounting year is audited and closed, changes should no longer be made to that fiscal year. Any adjustments to the accounting records are to be done within the current fiscal year.

Status:

Implemented

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Reporting

Finding 09-3

Condition: During our testing of reporting requirements for the **FTA Section 5311(f) (CFDA# 20.509)**, through the U.S. Department of Transportation passed through the State of California, we noted that the bi-annual Disadvantaged Business Enterprise Program Reports were submitted late to the grantor.

Effect: Noncompliance with the grant agreement may jeopardize future funding from the grantor.

Cause: YARTS does not have a system in place to ensure required reports are submitted to the grantor within grantor specifications (15 calendar days after end of each bi-annual period).

Criteria: Department of Transportation, Division of Mass Transit, subrecipients of Federal Transit Administration funds.

Recommendation: YARTS should establish a system to ensure that required reports are submitted to the grantor within grantor specifications.

Status:

Implemented