

**YOSEMITE AREA REGIONAL
TRANSPORTATION SYSTEM**

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

**FOR THE YEAR ENDED
JUNE 30, 2015**

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
JUNE 30, 2015**

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position.....	11
Statement of Cash Flows	12
Notes to the Basic Financial Statements	13
<u>OTHER INFORMATION</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	23
Schedule of Expenditures of Federal Awards.....	25
Notes to the Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs.....	27
Summary Schedule of Prior Audit Findings	29

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Yosemite Area Regional Transportation System (YARTS), a Joint Powers Authority, as of and for the year ended June 30, 2015, and the related notes to the 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.

Auditor's Responsibility

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 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's 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's 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 financial position of Yosemite Area Regional Transportation System, as of June 30, 2015, 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.

677 Scott Avenue
Clovis, CA 93612
tel 559.299.9540
fax 559.299.2344

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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise YARTS's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The 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.

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 December 7, 2015, on our consideration of YARTS'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 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's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
December 7, 2015

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2015**

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, 2015. 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, 2015 are \$8,215,123. This is an increase of \$735,638 over the ending balance of the prior fiscal year. The increase is due to purchase of 2 new buses
- ❖ Passenger fares for the fiscal year ending June 30, 2015 were \$416,194, a decrease of 2.95% over the prior fiscal year. A number of items contributed to the decrease, principal among them the cost of gasoline. Lower gas prices to the public have not favored public transit ridership. Also contributing was the lingering drought and the effect that it had on water falls in the park. Finally, a number of fires also played a part in reducing ridership.

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 comprise of four components: statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; and notes to the basic financial statements.

Basic Financial Statements

The statements of net position present information on all of YARTS's 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's 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's current year operations on its financial position.

The statement of cash flows summarizes 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 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 DISCUSSION AND ANALYSIS
JUNE 30, 2015**

FINANCIAL ANALYSIS

Total assets of YARTS exceeded total liabilities by \$7,498,832. A condensed summary of YARTS's net position at June 30, 2015 is shown below:

**Table 1
Yosemite Area Regional Transportation System
Statements of Net Position**

	2015	2014	% Change
Assets:			
Current Assets	1,133,635	1,126,675	0.62%
Capital Assets (net)	7,081,488	6,352,810	11.47%
Total Assets	8,215,123	7,479,485	9.84%
Liabilities:			
Current Liabilities	716,291	444,934	60.99%
Total Liabilities	716,291	444,934	60.99%
Net position:			
Net investment in capital assets	7,081,488	6,352,810	11.47%
Unrestricted	417,344	681,741	-38.78%
Total net position	7,498,832	7,034,551	6.60%

Total revenue of YARTS for the fiscal year ended June 30, 2015, including operating revenue and nonoperating revenue, was \$3,407,365. This was an increase over the prior fiscal year by \$1,559,959. This increase was brought about principally by the funding for the new buses.

Total expenses of YARTS for the fiscal year ended June 30, 2015 was \$2,943,084, this is an increase of \$388,930 over the previous fiscal year. This increase is due to an increase in depreciation and an increase in contracted services. Change in net position for YARTS for the fiscal year ended June 30, 2015, was \$464,281.

A condensed summary of Statement of Revenues, Expenses and Changes in Net Position at June 30, 2015 is shown below:

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

	2015	2014	% Change
Operating Revenues	700,386	428,867	63.31%
Operating Expenses	2,943,084	2,554,154	15.23%
Operating Income (Loss)	(2,242,698)	(2,125,287)	5.52%
Non-operating Revenues	2,706,979	1,418,539	90.83%
Change in Net Position	464,281	(706,748)	-165.69%
Net Position, Beginning	7,034,551	7,741,299	-9.13%
Net Position, Ending	7,498,832	7,034,551	6.60%

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Capital Assets

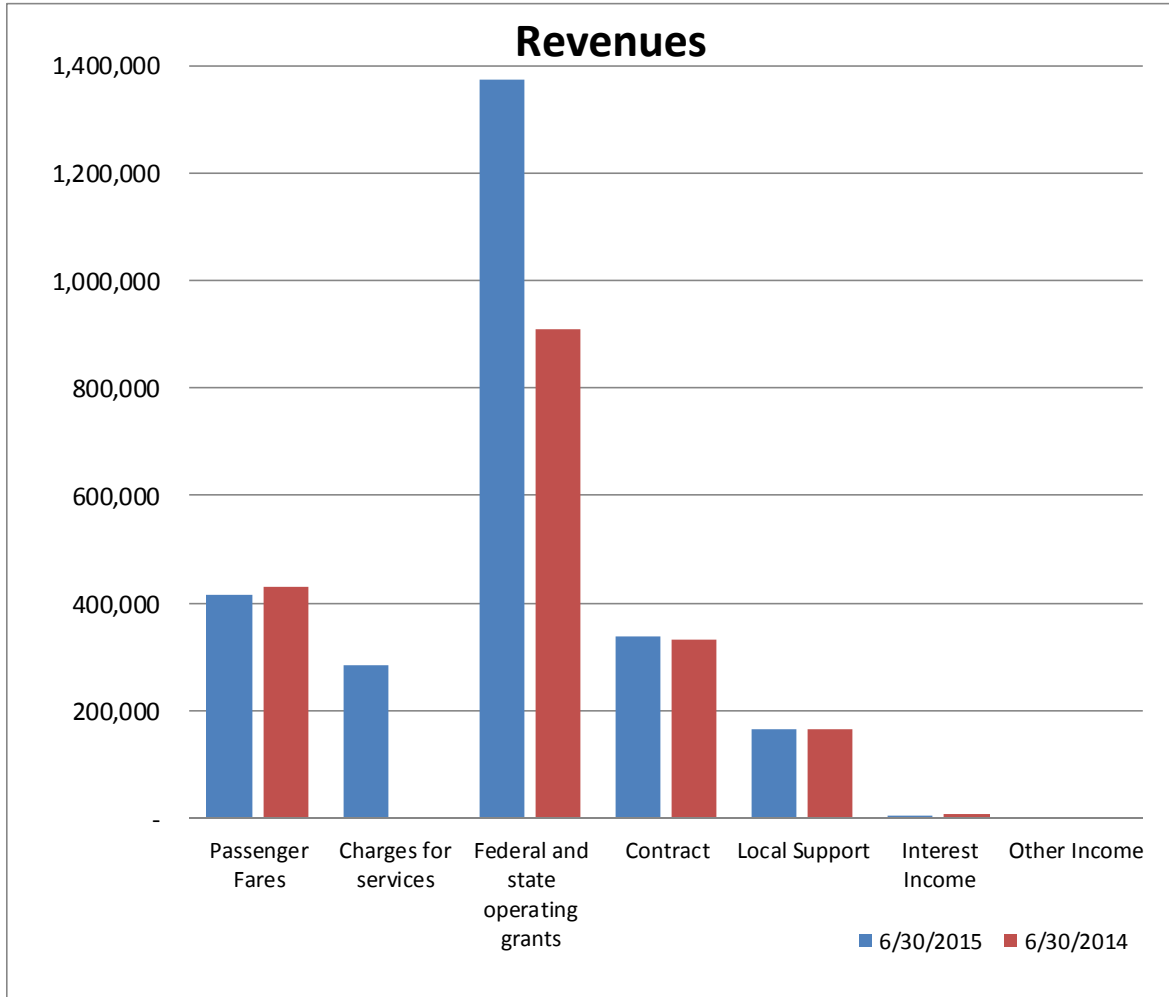
YARTS's net investment in capital assets as of June 30, 2015 was \$7,081,488 compared to \$6,352,810 in the fiscal year ended June 30, 2014. Investment in capital assets include: real property, the Mariposa Park & Ride project and ten buses.

	June 30, 2014	Additions	Deletions	June 30, 2015
Non-Depreciable Asset:				
Land	595,178	-	-	595,178
Total Non-Depreciable Assets	595,178	-	-	595,178
Depreciable Asset:				
Buildings and Equipment	7,308,249	1,206,448	-	8,514,697
Less Accumulated Depreciation	(1,550,619)	(477,768)	-	(2,028,387)
Total Depreciable Assets	5,757,630	728,680	-	6,486,310
Total Capital Assets	6,352,808	728,680	-	7,081,488

YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2015

YARTS Activities

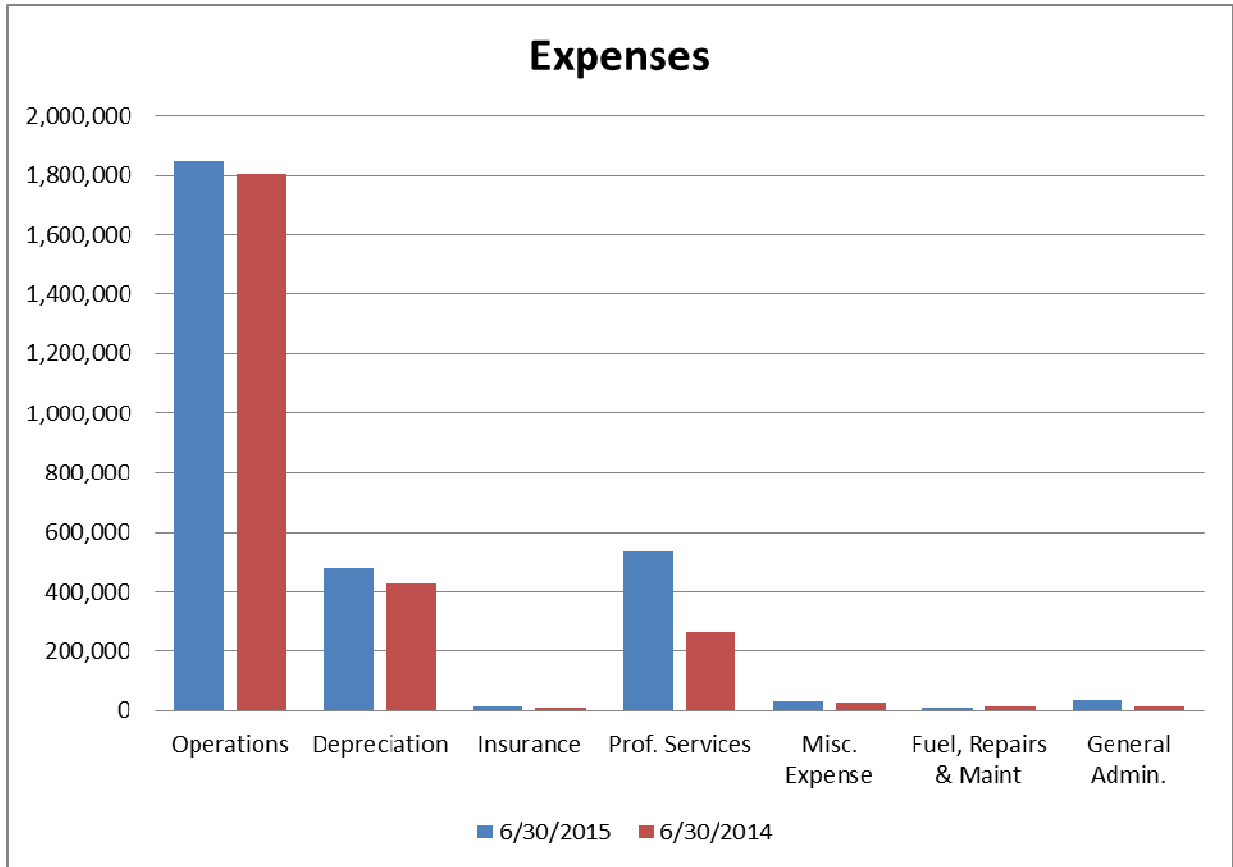
The following chart shows revenue for the fiscal years ended June 30, 2015 and 2014:



**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2015**

In fiscal year ended June 30, 2015, total expenditures were \$2,943,084, an increase of \$388,930 from the prior fiscal year. This increase is due to increased depreciation expenses and an increase in expanded services to Fresno.

The following chart shows expenses for the fiscal years ended June 30, 2015 and 2014:



**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Factors Bearing on YARTS' Future

The big change for Fiscal 14-15 was the run-up to the start of the service on Hwy 41 between Fresno and Yosemite National Park. The actual service did not start until May 23, 2015, however a significant amount of effort went into the preparation for that start. The service on Hwy 41 is a contract between the Fresno Council of Governments (FCOG) and YARTS and agreements were signed by the two entities in early 2015. Some of the entries in this audit reflect the revenue and expenses from this project, but the agreement makes this a net-zero deal, with YARTS being reimbursed for all expenses for providing the service, while not making a profit from the effort. Each service corridor is different and has required us learning those differences. The Hwy 41 service will require that same learning process, but YARTS is up to the challenge.

For the past four years, YARTS has been providing expanded service on its traditional routes and also in Tuolumne County. The expanded service is being provided only during the summer months. It is fully funded by the National Park Service and is intended to help improve the quality of visit and reduce congestion in the park. In 2015, the program provided two runs daily between Tuolumne County and Yosemite, two runs daily between Mono County destinations and the park, and two runs along the Hwy 140 corridor. YARTS has been advised that the program will continue during summer 2016.

With the expanded service in Tuolumne County and the advent of the start of service on Hwy 41, the YARTS Board of Commissioners approved the addition of four new, non-voting members to the YARTS Board and an additional five members to the Authority Advisory Committee (AAC). The new members add one member to each body from Tuolumne County and Madera County, and two Board members and three AAC members from the Fresno COG.

Ridership

Amtrak Thruway ridership was up by 9.1%. YARTS contracts with Amtrak to provide Thruway service along Hwy 140 year round and Hwy 120 E. in the summer. The new service on Hwy 41 will include Amtrak Thruway service from Fresno as well.

Employee ridership was down by 25.9% percentage, employee ridership took the greatest hit due to a number of reasons and generally was not a surprise; there were shifts in NPS work locations, which took people out of the commuter group, and a new NPS subsidy system gleaned the count even further. The lost employee ridership will not be likely to be recovered in the future.

Visitor ridership was up by 5.16%. Total ridership for FY 14-15 was down by less than one percent. Ridership comparisons are exclusive of the service on Hwy 41.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

All public transit relies on subsidies, typically from a number of sources. The primary source of transit funding has traditionally been "formula funding" from the Federal Transit Administration. YARTS is unique in that it does not receive formula funding of any kind, but has relied on discretionary funding sources. With the passage of the "MAP 21" transportation bill, Congress reduced the number of programs providing discretionary funding to near zero, eliminating some programs, moving some of that funding into other programs and/or formula programs.

Near the end of the fiscal year, YARTS management was able to secure increases in contributions from the three county members of the YARTS Joint Powers Authority (JPA) and from the National Park Service, Yosemite. The total annual increase for the 2015-2016 FY was \$304,700.

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 Chief Financial Officer at *Yosemite Area Regional Transportation System, 369 W. 18th Street, Merced, CA 95340.*

BASIC FINANCIAL STATEMENTS

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
STATEMENT OF NET POSITION
JUNE 30, 2015**

ASSETS

Current assets:

Cash and investments	\$	752,291
Accounts receivable		99,994
Due from other agencies		275,628
Grants receivable		<u>5,722</u>

Total current assets		<u>1,133,635</u>
----------------------	--	------------------

Noncurrent assets:

Capital assets:

Non-depreciable		595,178
Depreciable		8,514,697
Accumulated depreciation		<u>(2,028,387)</u>
Capital assets, net of accumulated depreciation		<u>7,081,488</u>

Total noncurrent assets		<u>7,081,488</u>
-------------------------	--	------------------

Total assets		<u>8,215,123</u>
--------------	--	------------------

LIABILITIES

Current liabilities:

Accounts payable		682,201
Unearned revenue		<u>34,090</u>

Total current liabilities		<u>716,291</u>
---------------------------	--	----------------

NET POSITION

Net investment in capital assets		7,081,488
Unrestricted		<u>417,344</u>

Total net position		<u>\$ 7,498,832</u>
--------------------	--	---------------------

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

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

Operating revenue:	
Passenger fares	\$ 416,194
Charges for services	<u>284,192</u>
Total operating revenue	<u>700,386</u>
Operating expenses:	
Operations	1,845,711
Depreciation	477,768
Insurance	13,596
Professional services	534,100
Miscellaneous expense	28,929
Fuel, repairs, and maintenance	8,271
General administration	<u>34,709</u>
Total operating expenses	<u>2,943,084</u>
Operating income (loss)	<u>(2,242,698)</u>
Nonoperating revenues:	
Federal and state operating grants	1,371,978
Contract revenue	338,352
Local support	166,632
Interest income	<u>5,587</u>
Total nonoperating revenues	<u>1,882,549</u>
Income before capital contributions	(360,149)
Federal and state capital contributions	<u>824,430</u>
Change in net position	464,281
Net position - beginning	<u>7,034,551</u>
Net position - ending	<u>\$ 7,498,832</u>

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

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

Cash flows from operating activities:	
Cash received from passengers	\$ 416,563
Other operating cash receipts	284,192
Cash payments to suppliers for goods and services	<u>(2,158,289)</u>
Net cash provided (used) by operating activities	<u>(1,457,534)</u>
Cash flows from non-capital and related financing activities:	
Federal, state and local operating assistance	<u>1,601,334</u>
Net cash provided (used) by non-capital and related financing activities	<u>1,601,334</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(1,206,446)
Federal, state and local capital assistance	<u>798,891</u>
Net cash provided (used) by capital and related financing activities	<u>(407,555)</u>
Cash flows from investing activities:	
Interest received	<u>5,587</u>
Net cash provided (used) by investing activities	<u>5,587</u>
Net increase in cash and cash equivalents	(258,168)
Cash and cash equivalents at beginning of year	<u>1,010,459</u>
Cash and cash equivalents at end of year	<u><u>\$ 752,291</u></u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (2,242,698)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	477,768
Changes in assets and liabilities:	
Decrease in accounts receivable	369
Increase in accounts payable	<u>307,027</u>
Net cash provided (used) by operating activities	<u><u>\$ (1,457,534)</u></u>

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

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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.

B. Basis of Accounting

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 Position, Statement of Revenue, 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 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 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.

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 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.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Position

1. Cash and Investments

YARTS's cash is held in the common investment pool of the County of Merced and in a commercial bank checking account. The County of Merced allocates interest to YARTS based on the ending cash balances in the County of Merced Treasury. YARTS has a collateralized agreement with Wells Fargo Bank that all government funds deposited are 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").

For purposes of the Statement of Cash Flows, YARTS considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. Accounts Receivable

The "direct write-off" method for accounts receivable is 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, 2015.

3. Capital Assets

YARTS's capitalization policy requires expenditures to be capitalized when the original cost of the asset acquired or constructed exceeds \$5,000 and its useful life exceeds five years 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 ranging from five to thirty years. The costs of normal repairs and maintenance are charged to expense as incurred.

4. 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's current accounts payable balance of \$682,201 as of June 30, 2015 is related to certain contract services.

5. 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.

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's policy to deplete restricted resources first before unrestricted resources are used.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Position (Continued)

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.

D. Pronouncements

1. New Accounting Pronouncements Adopted

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The statement requires disclosure to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this statement are effective for the Authority's fiscal year ending June 30, 2015. As of July 1, 2014, YARTS adopted this standard, which did not have an impact on its financial statements.

Governmental Accounting Standards Board Statement No. 72

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements for this provision are effective for the Authority's fiscal year ending June 30, 2015. As of July 1, 2014, YARTS adopted this standard, which did not have a significant impact on its financial statements.

2. New Accounting Pronouncements Not Yet Adopted

Governmental Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements for this statement are effective for YARTS's fiscal year ending June 30, 2017.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments consist of cash in the Merced County Treasury as part of the common investment pool and cash in a financial institution. The pooled funds in the Merced County Treasury 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, 2015 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.

Cash and investments are comprised of the following at June 30, 2015:

	Cost	FMV
Deposits:		
Cash in Wells Fargo Bank	\$ 325,911	\$ 325,911
Cash in County Treasury	427,801	426,380
Total cash and investments	\$ 753,712	\$ 752,291

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.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterpart (e.g. broker-dealer) to a transaction, YARTS will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and YARTS’ investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under the state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

GASB Statement No. 40 requires the following disclosure be made with respect to custodial credit risk relating to deposits and investments.

As of June 30, 2015, the carrying amount of the YARTS’ bank deposits was \$325,911 and the respective bank balances totaled \$325,911. Of the total bank balance, \$250,000 was insured through the Federal Depository Insurance Company (FDIC). The remaining \$75,911 was collateralized with pooled securities held by the financial institution. These securities are held in the name of the financial institution and not that of YARTS.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CAPITAL ASSETS

Capital assets consist of the following at June 30, 2015:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Non-depreciable assets:				
Land	\$ 595,178	\$ -	\$ -	\$ 595,178
Total non-depreciable assets	595,178	-	-	595,178
Depreciable assets:				
Buildings and equipment	7,308,249	1,206,448	-	8,514,697
Less accumulated depreciation	(1,550,619)	(477,768)	-	(2,028,387)
Total depreciable assets, net	5,757,630	728,680	-	6,486,310
Total capital assets	<u>\$ 6,352,808</u>	<u>\$ 728,680</u>	<u>\$ -</u>	<u>\$ 7,081,488</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 for the year ended June 30, 2015 was \$477,768.

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 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.

Merced County Association of Governments

YARTS has had an on-going administrative agreement with Merced County Association of Governments (MCAG) 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 for MCAG's services is based on a monthly cost reimbursement basis.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – CONTRACTUAL AGREEMENTS (Continued)

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 subsequently been amended to terminate at June 30, 2017.

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 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 \$1,845,711 in transportation and equipment services provided by VIA Adventures for the year ended June 30, 2015.

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, 2017. 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; expenses are incorporated with operating expenses in the Statement of Revenues, Expenses and Changes in Net Position.

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.

NOTE 6 – PROPOSITION 1B (PTMISEA FUNDING)

In November 2006, California Voters passed a bond measure enacting the Highway Safety Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 million was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements and for rolling stock procurement, rehabilitation or replacement.

Activity of the PTMISEA account for YARTS is as follows:

PTMISEA funds, including interest as of June 30, 2014	\$ 69,760
PTMISEA interest earned in FY 2014/2015	85
Expenditures incurred in FY 2014/2015	<u>(69,845)</u>
PTMISEA funds, as of June 30, 2015	<u>\$ -</u>

OTHER INFORMATION

THIS PAGE IS LEFT BLANK INTENTIONALLY.

INDEPENDENT AUDITOR'S 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, California

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 Yosemite Area Regional Transportation System (YARTS) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise YARTS's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control over Financial Reporting

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

Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA)

In November 2006, California Voters passed a bond measure enacting the Highway Safety Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 million was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

Activity of the PTMISEA account for YARTS is as follows:

PTMISEA funds, including interest as of June 30, 2014	\$	69,760
PTMISEA interest earned in FY 2014/2015		85
Expenditures incurred in FY 2014/2015		<u>(69,845)</u>
PTMISEA funds, as of June 30, 2015	\$	<u><u>-</u></u>

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 YARTS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering YARTS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Pange & Company

Clovis, California
December 7, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of YARTS's major federal programs for the year ended June 30, 2015. YARTS's 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of YARTS's 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of YARTS's compliance.

Opinion on Each Major Federal Program

In our opinion the Yosemite Area Regional Transportation System 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, 2015.

677 Scott Avenue
Clovis, CA 93612
tel 559.299.9540
fax 559.299.2344

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's 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 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. *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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Price Pange & Company

Clovis, California
December 7, 2015

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract or Program Number</u>	<u>Federal Expenditures</u>
<u>Federal Programs</u>			
<u>U.S. Department of Transportation</u>			
(Passed through California Department of Transportation)			
Federal Transit Cluster			
Federal Transit Capital Investment Grants	20.500	CA-04-0115-01	\$ 240,489
Federal Transit Formula Grants	20.507	CA-95-X234	<u>281,547</u>
Total Federal Transit Cluster			<u>522,036</u>
Highway Planning and Construction	20.205	CML-6305(008)	36,977
Highway Planning and Construction	20.205	CML-6305(010)	28,202
Formula Grants for Other Than Urbanized Areas	20.509	649458	283,566
Paul S. Sarbanes Transit in the Parks	20.520	CA-20-X014	<u>583,941</u>
Total U.S. Department of Transportation			<u>1,454,722</u>
<u>U.S. Department of Interior</u>			
Direct Program:			
National Parks	15.UNKNOWN	CO-OP#PA10AC00490	<u>672,363</u>
Total U.S. Department of Interior			<u>672,363</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,127,085</u>

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

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*.

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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>
20.500/20.507 20.520	Federal Transit Cluster Paul S. Sarbanes Transit in the Parks

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

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

**YOSEMITE AREA REGIONAL TRANSPORTATION SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS

No findings were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings were reported.