

KINGS COUNTY AREA PUBLIC TRANSIT AGENCY
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2023

**KINGS COUNTY AREA PUBLIC TRANSIT AGENCY
SINGLE AUDIT REPORT**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on State Compliance.....	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	6
Financial Statements:	
Schedule of Expenditures of Federal Awards.....	9
Notes to the Schedule of Expenditures of Federal Awards	10
Findings and Questioned Costs Section:	
Schedule of Findings and Questioned Costs.....	12

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Board of Directors
Kings County Area Public Transit Agency
Hanford, California

Report on Compliance with Transportation Development Act Requirements

We have audited the Kings County Area Public Transit Agency's (KCAPTA) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by KCAPTA were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the Kings County Association of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the year ended June 30, 2023.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the applicable statutes, rules, and regulations of the TDA.

Auditor's Responsibility

Our responsibility is to express an opinion on each of KCAPTA's compliance requirements referred to in Section 6667, which requires that for a transit claimant, the independent auditor will perform at least the following tasks:

- (a) Determine whether the claimant was an entity eligible to receive the funds allocated to it,
- (b) Determine whether the claimant is maintaining its accounts and records on an enterprise fund basis and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller, pursuant to Public Utilities Code Section 99234,
- (c) Determine whether the funds received by the claimant pursuant to the TDA were expended in conformance with those sections of the TDA specifying the qualifying purposes, including Public Utilities Code Sections 99262 and 99263 for operators receiving funds under Article 4; Sections 99275, 99275.5, and 99277 for Article 4.5 claimants; Section 99400(c), (d), and (e) for Article 8 claimants for service provided under contract; and Section 99405(d) for transportation services provided by cities and counties with populations of less than 5,000,
- (d) Determine whether the funds received by the claimant pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the transportation planning agency and in compliance with the allocation instructions and resolutions,
- (e) Determine whether interest earned on funds received by the claimant, pursuant to the TDA, were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code Sections 99234.1, 99301, 99301.5, and 99301.6,
- (f) Verify the amount of the claimant's operating cost for the fiscal year, the amount of fare revenues required to meet the ratios specified in Sections 6633.2 and 6633.5, and the amount of the sum of fare revenues and local support required to meet the ratios specified in the Section 6633.2,

- (g) Verify the amount of the claimant's actual fare revenues for the fiscal year,
- (h) Verify the amount of the claimant's actual local support for the fiscal year,
- (i) Verify the amount the claimant was eligible to receive under the TDA during the fiscal year in accordance with Sections 6634 and 6649,
- (j) Verify, if applicable, the amount of the operator's expenditure limitation in accordance with Section 6633.1,
- (k) In the case of an operator, determine whether the operator's employee retirement system or private pension plan is in conformance with the provisions of Public Utilities Code Sections 99271, 99272, and 99273,
- (l) In the case of an operator, determine whether the operator has had a certification by the Department of the California Highway Patrol verifying that the operator is in compliance with Section 1808.1 of the Vehicle Code, as required in Public Utilities Code Section 99251,
- (m) In the case of an operator, verify, if applicable, its State Transit Assistance eligibility pursuant to Public Utilities Code Section 99314.6 or 99314.7, and
- (n) In the case of a claimant for community transit services, determine whether it is in compliance with Public Utilities Code Sections 99155 and 99155.5.

Report on Public Transportation Modernization, Improvement, and Service Enhancement Account

Also, as part of our audit, we performed tests of compliance to determine whether certain state funds, were received and expended in accordance with the applicable bond act and state accounting requirements.

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA).

During the year ended June 30, 2023, we verified KCAPTA did not receive any PTMISEA funds. As of June 30, 2023, we verified that KCAPTA did not spend PTMISEA funds.

Low Carbon Transit Operation Program (LCTOP)

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Approved projects in LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance, and other costs to operate those services or facilities, with each project required to reduce greenhouse gas emissions.

During the year ended June 30, 2023, we verified that KCAPTA applied for and received \$334,543 from the LCTOP funds. As of June 30, 2023, \$119,841 LCTOP funds were expended. The remaining funds (\$214,672) were recorded as unearned revenue at June 30, 2023.

Opinion on Compliance

In our opinion, KCAPTA complied, in all material respects, with the compliance requirements referred to above that are applicable to KCAPTA for the year ended June 30, 2023.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 28, 2023

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Kings County Area Public Transit Agency
Hanford, 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 the Kings County Area Public Transit Agency (KCAPTA), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise KCAPTA's basic financial statements, and have issued our report thereon dated November 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KCAPTA's internal control over financial reporting (internal control) as a basis for designing 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 KCAPTA's internal control. Accordingly, we do not express an opinion on the effectiveness of KCAPTA'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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether KCAPTA'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 financial statements. 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*.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
November 28, 2023

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

The Board of Directors
Kings County Area Public Transit Agency
Hanford, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Kings County Area Public Transit Agency's (KCAPTA) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of KCAPTA's major federal programs for the year ended June 30, 2023. KCAPTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, KCAPTA 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of KCAPTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of KCAPTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to KCAPTA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on KCAPTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about KCAPTA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding KCAPTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of KCAPTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of KCAPTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

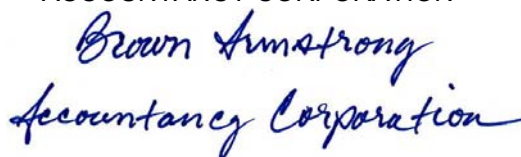
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of KCAPTA as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise KCAPTA's basic financial statements. We issued our report thereon dated November 28, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures we 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 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
November 28, 2023

FINANCIAL STATEMENTS

**KINGS COUNTY AREA PUBLIC TRANSIT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Transportation/ Federal Transit Administration				
Federal Transit Cluster				
Direct:				
CARES - Federal Transit Formula Grant (5307)	20.507	CA-2020-101-01	\$ -	\$ 980,842
CARES - Federal Transit Formula Grant (5307)	20.507	CA-2020-101-02	-	129,150
Federal Transit Formula Grant (5307)	20.507	CA-2021-014-00	-	703,582
Federal Transit Formula Grant (5307)	20.507	CA-2021-093-01	-	536,000
Federal Transit Formula Grant (5307)	20.507	CA-2023-087-00	-	3,492,006
Federal Transit Formula Grant (5339) - CAPITAL	20.507	CA-2021-092-01	-	304,153
Federal Transit Formula Grant (5339) - CAPITAL	20.507	CA-2021-092-02	-	231,847
Total Federal Transit Cluster			-	6,377,580
Passed-Through California Department of Transportation:				
Federal Operating Assistance (5311)	20.509	64BC20-01384	-	104,694
CRRSSA - Federal Operating Assistance (5311)	20.509	64RO21-01638	-	482,071
Total Formula Grants for Rural Areas			-	586,765
Total Federal Transit Administration			-	6,964,345
Total Expenditures of Federal Awards			\$ -	\$ 6,964,345

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**KINGS COUNTY AREA PUBLIC TRANSIT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 – REPORTING ENTITY

The Kings County Area Public Transit Agency (KCAPTA), a joint powers agency, is comprised of the County of Kings and the cities of Hanford, Lemoore, and Avenal. Operations began in June of 1980. KCAPTA oversees the operation of Kings Area Rural Transit (KART), and until December 31, 2011, the Vanpool systems program and the Agricultural Industries Transportation program (as of January 1, 2012, California Vanpool Authority assumed operations of the vanpool programs).

KCAPTA established the operating policies and defines the services to be provided by KART including service hours and days, fares, and routes of the Public Transit System. The day-to-day management and actual operation of the system are carried out under contract with a private firm, MV Transportation, Inc. All operating personnel (managers, dispatchers, mechanics, and drivers) are employees of MV Transportation, Inc.

KART presently uses a fleet of vehicles ranging in size from 5-passenger vans to 33-passenger buses to provide transit services. Two levels of services are offered: fixed-route and paratransit service. Paratransit service is available daily in Hanford, Lemoore, and Armona. There are regular Hanford-Lemoore, Hanford-Avenal, Hanford-Corcoran, Hanford-Laton, Hanford-Visalia, and Hanford-Fresno fixed-route service, along with commuter service to Corcoran State Prison. In addition to regular fares, there are cash cards and 30-day passes.

KCAPTA started the vanpool programs in 2001 to provide services for those who commute. The goal of the vanpool programs was to provide safe alternative transportation to travel to and from work. Due to the growth of the programs, a new agency was formed on October 21, 2011. The new agency, California Vanpool Authority (CalVans), assumed responsibility for the vanpool programs and took over the operations as of January 1, 2012. All assets related to the operations of the vanpool programs were transferred to CalVans as of December 31, 2011.

Prior to July 4, 2005, KCAPTA was part of the governmental structure of Kings County (the County). On July 4, 2005, KCAPTA became a public entity separate from the County. Personnel became employees of KCAPTA and maintained the same employment benefits, rights, and protections afforded to employees of the County. The County provides the following benefits and services to KCAPTA on a cost allocation basis: self-insurance benefits; fiscal and accounting services; banking and investment services; and information technology. The following services are reimbursed by KCAPTA to the County: human resources and motor pool services. These services are reimbursed to the County based upon actual cost or rates established by the County for the same services provided to non-County agencies. The County provides additional services to KCAPTA on an as needed basis billed at the standard rate for actual services provided.

NOTE 2 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all Federal award programs of KCAPTA. All Federal awards received directly from Federal agencies as well as Federal awards passed through from other government agencies are included on the Schedule.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting, which is described in Note 1 to KCAPTA's financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all Federal financial assistance programs of KCAPTA. Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through the State of California are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of KCAPTA.

NOTE 4 – RELATIONSHIP TO FINANCIAL STATEMENTS

Federal award monies are reported in KCAPTA's financial statements as revenues from Federal operating and capital assistance grants.

NOTE 5 – SUMMARY OF GRANTS

KCAPTA receives various Federal grant awards from the Department of Transportation – Federal Transit Administration, which are described in Note 1 to KCAPTA's financial statements.

NOTE 6 – INDIRECT COST RATE

KCAPTA has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

FINDINGS AND QUESTIONED COSTS SECTION

**KINGS COUNTY AREA PUBLIC TRANSIT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness 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 federal programs:

Material weakness 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 the Uniform Guidance? ___ Yes X No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Clusters</u>
20.507	Federal Transit Cluster

Dollar threshold used to distinguish Type A and B programs: \$750,000

Auditee qualified as low risk auditee? X Yes ___ No

II. Findings Relating to Financial Statements Required Under Generally Accepted Government Auditing Standards (GAGAS)

None.

III. Federal Award Findings and Questioned Costs

None.

IV. State Award Findings and Questioned Costs

None.

V. Summary of Prior Audit (June 30, 2022) Findings and Current Year Status

None.