

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT Uvalde, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

Years Ended August 31, 2019 and 2018

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

Years Ended August 31, 2019 and 2018

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SOUTHWEST AREA REGIONAL TRANSIT DISTRICT'S
Uvalde, Texas

PRINCIPAL OFFICIALS

August 31, 2019

Board Members

Christine Cardona-Guerrero for Judge Francisco Ponce
Dimmit

Judge Souli A. Shanklin
Edwards

Judge Tully Shahan
Kinney

Judge Joel Rodriguez, Jr.
La Salle

Commissioner Morales for Judge David Saucedo
Maverick

Commissioner Shackelford for Judge W. B. Samson
Real

Lupe Valerio for Judge Joe Luna
Zavala

Maggie Del Toro for Judge Bill Mitchell
Uvalde

General Manager

Sarah Hidalgo-Cook

Assistant General Manager

Cynthia Rodriguez

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwest Area Regional Transit District
Uvalde, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Southwest Area Regional Transit District (the District) as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic 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 audits 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 the entity'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 the entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of August 31, 2019 and 2018, and the respective changes in financial position, and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 5 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedule of expenses by fund is presented for purposes of additional analysis 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary schedule of expenses by fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 expenses by fund and the schedule of expenditures of federal awards are 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 April 15, 2020, on our consideration of the District'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 the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "George Gonzalez" with a flourish underneath.

April 15, 2020

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Southwest Area Regional Transit District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended August 31, 2019. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$2,142,002 (net position) for the current year reported. This compares to the previous year when assets exceeded liabilities by \$2,602,050.
- The District's total net position decreased by \$374,313 for the current year reported.
- Total capital assets (net of depreciation) were \$2,178,697 for the current year reported compared to \$2,638,647 in the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) proprietary fund financial statements, and 2) notes to the financial statements.

Proprietary fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary fund. The District maintains one proprietary fund and uses an enterprise fund to account for its transportation operations.

The basic financial statements can be found on pages 10 through 12.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the proprietary fund financial statements. The notes to the financial statements can be found on pages 13 – 21 of this report.

Proprietary Fund Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position.

The largest portion of the District's net position (102%) reflects its investment in capital assets (e.g. vehicles, office furniture and equipment, and buildings), net of any related debt. The District uses these capital assets to provide services to residents of Dimmit, Edwards, Kinney, La Salle, Maverick, Real, Uvalde, and Zavala, Counties; consequently, these assets are not available for future spending.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

The remaining portion of the District's net position (-2%) represents unrestricted net position that may be used to meet the government's ongoing obligations to creditors.

The District's net position decreased \$374,313.

Below are summaries of the District's Statement of Net Position and Statements of Revenues, Expenses, and Changes in Net Position-Proprietary Fund.

Statements of Net Position

	2019	2018
Current Assets	\$ 210,902	\$ 206,405
Capital Assets	2,178,697	2,638,647
Total Assets	\$ 2,389,599	\$ 2,845,052
Current Liabilities	\$ 180,408	\$ 188,201
Long Term Liabilities	67,189	54,801
Total Liabilities	247,597	243,002
Net Position		
Net invested in capital assets	\$ 2,178,697	\$ 2,638,647
Unrestricted	(36,695)	(36,597)
Total Net Position	\$ 2,142,002	\$ 2,602,050

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Passenger Revenues	\$ 146,224	\$ 141,462
Rents and Other	275,319	250,239
Medical Transportation	-	642,675
Operating Grants and Contributions	<u>1,702,007</u>	<u>1,617,233</u>
Total Operating Revenues	<u>2,123,550</u>	<u>2,651,609</u>
Operating Expenses		
Transportation Operations	<u>2,426,462</u>	<u>3,199,808</u>
Total Operating Expenses	<u>2,426,462</u>	<u>3,199,808</u>
Operating Loss	<u>(302,912)</u>	<u>(548,199)</u>
Non-Operating Revenues (Expenses)		
Gain/(Loss) on Disposal of Capital Assets	(57,228)	7,750
Interest Expense	<u>(14,173)</u>	<u>(11,280)</u>
Total Non-Operating Revenue (Expenses)	<u>(71,401)</u>	<u>(3,530)</u>
Income (Loss) Before Capital Grants and Contributions	<u>(374,313)</u>	<u>(551,729)</u>
Capital Grants and Contributions	<u>-</u>	<u>1,126,399</u>
Change in Net Position	(374,313)	574,670
Net Position at Beginning of Year	2,602,050	2,027,380
Prior Period Adjustments	<u>(85,735)</u>	<u>-</u>
Net Position at End of Year	<u>\$ 2,142,002</u>	<u>\$ 2,602,050</u>

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

CAPITAL ASSETS

The District's investment in capital assets for its proprietary fund as of August 31, 2019, totaled to \$2,178,697 (net of accumulated depreciation). This investment in capital assets includes vehicles, buildings, furniture and equipment. A total of twenty-four (24) buses were disposed in the current year. In the current year the District acquired equipment for a total value of \$103,718.

	Capital Assets (Net of Depreciation)	
	2019	2018
Land	\$ 209,654	\$ 209,654
Buildings	561,289	605,008
Machinery, Equipment & Vehicles	1,407,754	1,823,985
Total	\$ 2,178,697	\$ 2,638,647

Additional information on the District's capital assets can be found in the notes to the financial statements.

LONG TERM LIABILITIES

Long term liabilities of \$67,189 consist of compensated absences. Additional detailed information is found in note I9. to the financial statements.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS AND RATES

The budget for the year ended August 31, 2020 is consistent with the levels from 2019.

	Budget 2020	Actual 2019
Federal Grants	\$ 896,706	\$ 1,057,934
State Grants	473,692	663,099
MP3	363,555	32,833
Elderly and Disabled	116,000	78,695
BBF	1,370,500	51,859
Other	-	238,130
Total	\$ 3,220,453	\$ 2,122,550

Federal, State, and ED grant allocations were reduced as per TxDOT formula. An estimated reduction in MTP funds were based on the transition into a Medical Transportation Broker System under American Medical Response (AMR).

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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General Manager
Southwest Area Regional Transit District
713 East Main Street
Uvalde, Texas 78801
830-278-4155 x 3009 or 800-499-1617 x 3009
830-486-0364 FAX -- 830-900-9929 Cell
www.paseoswart.org

BASIC FINANCIAL STATEMENTS

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

STATEMENTS OF NET POSITION

	August 31,	
	2019	2018
ASSETS		
Current Assets		
Cash	\$ 71,645	\$ 9,556
Grants Receivable	139,257	172,729
Restricted Cash	-	24,120
Total Current Assets	210,902	206,405
Noncurrent Assets		
Capital Assets		
Land	209,654	209,654
Buildings	1,387,164	1,387,164
Vehicles & Equipment	2,408,553	3,594,584
Less: Accumulated Depreciation	(1,826,674)	(2,552,755)
Total capital assets (net of accumulated depreciation)	2,178,697	2,638,647
Total Noncurrent Assets	2,178,697	2,638,647
Total Assets	\$ 2,389,599	\$ 2,845,052
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 30,313	\$ 41,261
Accrued Salaries and Benefits Payable	58,937	48,722
Due to Employees	-	24,120
Credit Card Payable	35,519	-
Line of Credit	55,639	74,098
Total Current Liabilities	180,408	188,201
Non Current Liabilities		
Compensated Absences	67,189	54,801
Total Non Current Liabilities	67,189	54,801
Total Liabilities	247,597	243,002
NET POSITION		
Net Investment in Capital Assets	2,178,697	2,638,647
Unrestricted	(36,695)	(36,597)
Total Net Position	\$ 2,142,002	\$ 2,602,050

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

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Years Ended August 31,

	2019	2018
Operating Revenues		
Grants and Contributions	\$ 1,702,007	\$ 1,617,233
Medical Transportation	-	642,675
Passenger Fares	146,224	141,462
Rental Income	52,205	36,254
Other Revenues	223,114	213,985
Total Operating Revenues	2,123,550	2,651,609
Operating Expenses		
Transportation Programs	2,012,027	2,750,307
Depreciation Expense	414,435	449,501
Total Operating Expenses	2,426,462	3,199,808
Operating income (loss)	(302,912)	(548,199)
Non-Operating Revenues (Expenses)		
Gain/(Loss) on Disposal of Capital Assets	(57,228)	7,750
Interest	(14,173)	(11,280)
Total Non-Operating Revenues (Expenses)	(71,401)	(3,530)
Income (Loss) Before Capital Grants and Contributions	(374,313)	(551,729)
Capital Grants and Contributions		
Capital Grants	-	1,126,399
Change in Net Position	(374,313)	574,670
Net Position at Beginning of Year	2,602,050	2,027,380
Prior Period Adjustment	(85,735)	-
Restated Beginning Net Position	2,516,315	2,027,380
Net Position at End of Year	\$ 2,142,002	\$ 2,602,050

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

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

STATEMENTS OF CASH FLOWS

Years Ended August 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (302,912)	\$ (548,199)
Adjustments to Reconcile change in Net Position to Net Cash Provided By Operating Activities:		
Depreciation	414,435	449,501
Net Asset Restatements	(58,693)	-
(Increase) Decrease in Operating Assets:		
Grants receivable	33,472	4,003
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(10,948)	5,519
Accrued Salaries and Benefits Payable	10,215	(15,722)
Due to Employees for Staff Savings	(24,120)	3,579
Credit Card Payable	8,477	-
Compensated Absences	12,388	(10,854)
Net Cash (Used) by Operating Activities	82,314	(112,173)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
Interest payments	(14,173)	(11,280)
Net Cash (Used) by Non Capital Financing Activities	(14,173)	(11,280)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Line of Credit	-	32,000
Proceeds from Sale of Capital Assets	92,004	7,750
Purchased of Capital Assets	(103,717)	-
Principal Payments on Line of Credit and Notes Payable	(18,459)	(36,388)
Net Cash Provided by Capital and Related Financing Activities	(30,172)	3,362
NET INCREASE/(DECREASE) IN CASH AND RESTRICTED CASH	37,969	(120,091)
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	33,676	153,767
CASH AND RESTRICTED CASH AT END OF YEAR	\$ 71,645	\$ 33,676
Supplemental Disclosures:		
Non-Cash Transaction: Acquisition of Buses from TXDOT (Tiger Discretionary Program)	\$ -	\$ 994,506
Acquisition of Equipment from TXDOT (Bus and Bus Facilities Program (Rural))	-	72,129
Acquisition of Equipment from TXDOT (Enhanced Mobility of Seniors and Individuals with Disa	-	59,764

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

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2019 and 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southwest Area Regional Transit District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies and practices used by the District.

A. Reporting Entity

The District is a local governmental body and political subdivision existing under Chapters 458 of the Transportation Code of the State of Texas. The District is governed by a board of Directors composed of elected officials from each of the counties served. The District offers public and specialized transportation services for the following counties; Dimmit, Edwards, LaSalle, Kinney, Maverick, Real, Uvalde, Val Verde, and Zavala. Medical transportation services are provided in Val Verde County. The District began operations effective June 1, 2012.

The following are the primary services offered by the District:

- Rural Public Transportation Services
- Job Access Transportation
- Non-Emergency Medical Transportation for Medicaid Eligible Clients
- Contracted Transportation

B. Basic Financial Statements – Fund Financial Statements

The financial statements of the District are reported in the proprietary fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, net position, revenues and expenses. The focus of proprietary fund measurement is on the determination of operating income, changes in net position, financial position, and cash flows. The general accounting principles applicable are those similar to businesses in the private sector. The following briefly describes the purpose of proprietary fund:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods and services and the activity is financed with debt that is solely secured by a pledge of the net revenues.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2019 and 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If the balance has not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund financial statements are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all Governmental Accounting Standards Board (GASB) pronouncements. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the fund Statement of Net Position. The fund equity is segregated into (1) net investment in capital assets and (2) unrestricted net position.

The District's proprietary fund distinguishes between operating and nonoperating revenues and expense. Operating revenues and expenses consist of charges for services (including intergovernmental revenues received in exchange for providing transportation and in-kind revenues) and the cost of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District's cash and cash equivalents are comprised of cash on hand and in banks. Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

2. Grants Receivable

Grants receivable represent amounts due from federal and state agencies for the various programs administered by the District. The receivable includes amounts due on programs closed out and those in progress as of August 31, 2019.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2019 and 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Restricted Assets

Cash and cash equivalents that have been earmarked in connection with an employee savings program are not available for general operations. The restricted cash balance at August 31, 2019 and 2018 totaled \$0 and \$24,120; respectively, and is presented in the Statement of Net Position in an amount equal to amounts Due to Employees for Staff Savings.

As of August 31, 2019, the District has discontinued the employee savings program.

4. Capital Assets and Depreciation

Capital assets, which include land, buildings and vehicles, are reported in the proprietary fund. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District's grantor agencies retain a reversionary interest in the grant equipment that the District has recorded on their financial statements. That is, if the grantor agency were to terminate the program, the title to the equipment reverts to the grantor agency and the equipment would be required to be returned to the grantor agency.

Capital Assets of the District are depreciated using the straight-line method over the following useful lives:

Assets	Years
Building(s)	30
Vehicle(s)	8

5. Allowance for Doubtful Accounts

The District considers its receivables from reimbursement grants fully collectible; therefore, an allowance for doubtful accounts is not recognized. Grants receivable are written off when management makes the determination that an amount is not collectible. The District had no bad debts for the years ended August 31, 2019 or 2018.

6. Restricted/Unrestricted Resources

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2019 and 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Retirement Plan

The District has adopted a tax-deferred plan under Section 401(a) of the Internal Revenue Code. The Plan provides that all employees are eligible to participate after completing six months of service and are at least eighteen years of age. The District may make a discretionary matching contribution based on a percentage of the participant's compensation. The matching contribution are to be determined by the employer and are determined on a plan year basis.

8. Net Position

Net position is comprised of three components:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position – consist of net position that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position is reported in this category.

9. Compensated Absences

Upon termination of employment, the District pays employees who have completed 12 months of services the unused portion of their accrued annual leave, not to exceed 96 hours. However, if SWART, in its sole discretion, terminates employment for cause, forfeiture of unused annual leave time may result.

Upon resignation, an employee will be paid their unused portion of annual leave, not to exceed 96 hours if employed 12 to 59 months and 192 hours if employed 60 or more months, providing all policies were followed, including two-week notice and the exit interview.

The compensated absences liability at August 31, 2019 and 2018 totaled \$67,189 and \$54,801 respectively.

10. Capital Grants and Contributions

The District reports as capital grants and contributions revenues awarded by the U.S Department of Transportation for capital purchases under the Tiger Grant for fiscal year 2018. Capital Grants and Contributions totaled \$1,126,399 for the years ended August 31, 2018.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2019 and 2018

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budget and Budgetary Accounting

The District's primary funding source is federal, state grants and contracts which have contract periods that may or may not coincide with the District's fiscal year. These grants normally are for a 12-month period; however, they can be awarded for periods shorter or longer than 12 months.

Although the financial plan is reviewed and approved by the District's Board, it is not considered a legally adopted annual budget. Accordingly, comprehensive budget and actual results are not presented in this report.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

- a. State statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

During the year ended August 31, 2019 or 2018, the District did not own any types of securities or investments.

- b. Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. The District's deposits are required to be collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. At August 31, 2019, the District's bank deposits were fully insured by FDIC.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2019 and 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Grants Receivable

Grants receivable, due within one year for qualifying costs recorded in statements of net position, is comprised of the following:

Program	August 31, 2019	August 31, 2018
RPT Federal	\$ 90,493	\$ 94,959
RPT State	30,732	41,192
MPT	18,032	36,578
	<u>\$ 139,257</u>	<u>\$ 172,729</u>

C. Capital Assets

Capital asset activity for the year ended August 31, 2019, was as follows:

Governmental Activities	Balance September 1, 2018	Increases	Decreases	Balance August 31, 2019
Capital assets, not being depreciated:				
Land	\$ 209,654	\$ -	\$ -	\$ 209,654
Total capital assets, not being depreciated	<u>209,654</u>	<u>-</u>	<u>-</u>	<u>209,654</u>
Capital assets, being depreciated:				
Building and improvements	1,387,164	-	-	1,387,164
Machinery, equipment and vehicles	3,594,584	103,718	(1,289,748)	2,408,554
Total capital assets, being depreciated	<u>4,981,748</u>	<u>103,718</u>	<u>(1,289,748)</u>	<u>3,795,718</u>
Less accumulated depreciation for:				
Building and improvements	(782,156)	(43,719)	-	(825,875)
Machinery, equipment and vehicles	(1,770,599)	(370,716)	1,140,515	(1,000,800)
Total accumulated depreciation	<u>(2,552,755)</u>	<u>(414,435)</u>	<u>1,140,515</u>	<u>(1,826,675)</u>
Total capital assets depreciated, net	<u>2,428,993</u>	<u>(310,717)</u>	<u>(149,233)</u>	<u>1,969,043</u>
Total capital assets, net	<u>\$ 2,638,647</u>	<u>\$ (310,717)</u>	<u>\$ (149,233)</u>	<u>\$ 2,178,697</u>

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2019 and 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

Capital asset activity for the year ended August 31, 2018, was as follows:

Governmental Activities	Balance September 1, 2017	Increases	Decreases	Balance August 31, 2018
Capital assets, not being depreciated:				
Land	\$ 209,654	\$ -	\$ -	\$ 209,654
Total capital assets, not being depreciated	209,654	-	-	209,654
Capital assets, being depreciated:				
Building and improvements	1,387,164	-	-	1,387,164
Machinery, equipment and vehicles	2,468,185	1,126,399	-	3,594,584
Total capital assets, being depreciated	3,855,349	1,126,399	-	4,981,748
Less accumulated depreciation for:				
Building and improvements	(738,436)	(43,720)	-	(782,156)
Machinery, equipment and vehicles	(1,364,818)	(405,781)	-	(1,770,599)
Total accumulated depreciation	(2,103,254)	(449,501)	-	(2,552,755)
Total capital assets depreciated, net	1,752,095	676,898	-	2,428,993
Total capital assets, net	\$ 1,961,749	\$ 676,898	\$ -	\$ 2,638,647

D. Risks Related to Grantor Concentration

The District receives the majority of its support and revenue from the U. S. Department of Transportation and the Texas Department Transportation. The District receives annual grants from these agencies and is required to prepare reports that detail the program expenses incurred for which the District is requesting reimbursement. The District would realize a severe negative impact should the level of these grant revenues be significantly reduced or discontinued.

E. Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters is covered with commercial property, liability and automobile insurance. There have been no significant reductions in insurance coverage for these risks of loss since the prior year; and there have been no statements in excess of insurance coverage for any of the past three fiscal years.

F. Line of Credit

The District renewed a line of credit from Hondo National Bank during the fiscal year with an interest rate of 6.75% and collateralized with four vehicles from their fleet. The District made principal payments of \$18,509 and interest payments of \$5,035. The remaining balance as of August 31, 2019 is \$55,639.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2019 and 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. 401 (A) Employees Plan

The District established a defined contribution pension plan for its employees effective January 1, 2013. The District acts the plan administrator and is responsible for maintaining records on participants, determining eligibility for benefits and interpreting and administering the provisions of the plan. The plan year begins on January 1 and ends on December 31 of each year.

Participants are fully vested in their own contributions to the Plan. Participants vesting in employer matching contributions are based on years of service. Employees with less than two years of service are 0% vested, between two and three years are 50% vested, and three or more years are 100% vested.

The Plan is an annuity contract issued by an insurance company. Earnings (gains and/or losses), changes, and expenses will be treated as provided for in the contract.

Employee contributions made to the Plan for the year ended August 31, 2019 and 2018 were \$42,042 and \$47,163, respectively. Contributions were paid to OneAmerica as a matching contribution representing 100% of the first 5% of employee contribution to the plan.

A group of annuity contract issued by an insurance company is the funding medium used for the accumulation of assets from which benefits are paid. Earnings (gains and/or losses), changes, and expenses will be treated as provided for in the contract.

H. Contingencies

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenses made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the District has not complied with all the rules and regulations, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the District, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2019 and 2018

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Contingencies

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenses made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the District has not complied with all the rules and regulations, financial or otherwise, adjustment to or return of fund monies may be required.

As it pertains to other matters of compliance, in the opinion of the District, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

J. IRS Lien

The U.S Internal Revenue Service (IRS) has a tax lien on the property that was transferred from the Community Council of Southwest Texas Inc. Management has been in communication with the IRS attempting to negotiate the clearing of the lien. Management position is that this will be resolved in SWART's favor.

K Prior Period Adjustments

	2018
Beginning Fund Balance/Net Position	<u>\$ 2,602,050</u>
Correct Payroll Liabilities	(58,693)
Reflect Credit Card Payable Beginning Balance	<u>(27,042)</u>
Net Prior Period Adjustment	<u>(85,735)</u>
Restated Fund Balance/Net Position	<u>\$ 2,516,315</u>

SUPPLEMENTARY INFORMATION

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF OPERATING PROGRAM EXPENSES BY FUND

For The Year Ended August 31, 2019

	RPT Federal	RPT State	Transit Support	Other Funds	Total Expenses
EXPENSES					
SALARIES	\$ 591,287	\$ 341,104	\$ 94,346	\$ -	\$ 1,026,738
FRINGE BENEFITS	124,595	91,332	63,455	-	279,382
TOTAL PERSONNEL	<u>715,882</u>	<u>432,436</u>	<u>157,802</u>	-	<u>1,306,120</u>
TRAVEL IN AREA	20	15	8	-	43
CAR RENTAL	101	101	76	-	277
TRAVEL OUT OF AREA	237	220	895	-	1,352
MEAL PER DIEM	3,181	2,011	2,083	-	7,275
LODGING EXPENSE	5,862	4,423	4,790	-	15,075
MEAL REIMBURSEMENT	-	-	2,764	-	2,764
MEETING EXPENSE	510	219	-	-	729
PROFESSIONAL SERVICES	21,195	9,632	5,480	-	36,308
JANITORIAL SERVICES	515	40	238	-	792
OFFICE SUPPLIES	1,383	767	327	1,792	4,270
JANITORIAL SUPPLIES	252	244	10	-	506
AUTO SHOP SUPPLIES	1,241	128	614	-	1,983
COPIER SUPPLIES	-	-	14	-	14
POSTAGE	580	341	115	-	1,036
ADVRT/PUB NOTICES	650	207	1,096	-	1,953
UTILITIES	20,800	11,203	5,782	-	37,784
CABLE	345	202	126	-	673
PHONE & CELLPHONE EXPENSE	24,489	16,555	6,620	-	47,664
FUEL AND OIL	84,586	48,424	19,278	-	152,288
NSF BANK FEES	-	-	1,110	-	1,110
PARKING AND TOLL EXPENSE	98	44	26	-	168
SERVICE CHRG FEE	756	427	(2,665)	-	(1,481)
PETTY CASH	-	-	116	-	116
UNIFORMS	3,008	455	1,437	-	4,900
TRAINING	3,269	2,810	2,976	1,199	10,254
MEMBERSHIP DUES	-	-	2,790	-	2,790
APPRAISALS/STUDYS/PLANS/MISC.	2,624	1,444	4,093	66,523	74,685
HOLIDAY EXPENSE	-	-	1,459	-	1,459
INCENTIVES	-	-	1,891	-	1,891
RENTAL	13,128	8,064	3,009	-	24,200
EQUIPMENT LEASE	17,926	15,425	1,926	-	35,276
EQUIP MAINT/REPAIRS	761	51	309	-	1,121
BLDG & MAINT RPR	1,301	438	911	-	2,650
BLDG INSURANCE	3,332	2,304	572	-	6,208
VEHICLE INSURANCE	26,348	16,314	6,837	-	49,499
INSPECTIONS	478	294	141	-	914
DRUG TESTING	1,730	1,133	349	-	3,212
BACKGROUND CHECK	1,151	861	59	-	2,071
PHYSICAL EXAM	-	160	-	-	160
INTERNET COST	2,618	1,519	553	-	4,690
AUTOMATION	30,247	5,690	8,917	-	44,853
AUTO PARTS, TIRES, SUPPLES	36,922	10,265	7,655	-	54,842
VEHICLE REPAIRS	3,196	1,958	646	-	5,800
VEHICLE LICENSE FEES	357	227	74	-	657
OFFICE EQUIP/FURNITURE	64	64	-	-	128
EQUIPMENT/COMPUTER	8,151	942	3,836	-	12,929
SOFTWARE COST	17,460	4,773	2,573	-	24,806
PLANNING EXPENSE	-	-	-	23,212	23,212
TOTAL EXPENSES	<u>\$ 1,056,686</u>	<u>\$ 601,580</u>	<u>\$ 277,984</u>	<u>\$ 92,372</u>	<u>\$ 2,012,027</u>

FEDERAL AWARDS SECTION

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Directors
Southwest Area Regional Transit District
Uvalde Texas

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 business-type activities of the Southwest Area Regional Transit District (the District) , as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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. We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2019-01 that we considered to be a material weakness.

In addition, we noted other matters involving internal control and its operation that we have reported to management of the District in a separate letter dated April 15, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

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

A handwritten signature in black ink, appearing to read "George Gonzalez" with a stylized flourish underneath.

April 15, 2020

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Southwest Area Regional Transit District
Uvalde, Texas

Report on Compliance for Each Major Federal Program

We have audited the Southwest Area Regional Transit District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District'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 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). Those standards and the Uniform Guidance 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 the District'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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, 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 August 31, 2019.

Report on Internal Control over Compliance

Management of the District, 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 the District'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 the Uniform Guidance, 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 the District'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.

Purpose of this Report

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.

Handwritten signature in black ink, appearing to read "George Gonzalez" with a flourish underneath.

April 15, 2020

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2019

SECTION I --- SUMMARY OF AUDITOR'S RESULTS

<i>Financial Statements</i>		
Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting: • Material weakness(es) identified?	<u>X</u> Yes	<u> </u> No
• Significant deficiency(s) identified not considered to be material weaknesses?	<u> </u> Yes	<u>X</u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u>X</u> No

<i>Federal Awards</i>		
Internal control over major programs: ▪ Material weakness(es) identified?	<u> </u> Yes	<u>X</u> No
▪ Significant deficiency(s) identified not considered to be material weaknesses?	<u> </u> Yes	<u>X</u> None Reported
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section. 200.516(a)?	<u> </u> Yes	<u>X</u> No

<i>Identification of Major Programs</i>		
CFDA Numbers(s)	Name of Federal Program or Cluster	
20.509	Formula Grants for Rural Areas	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	<u>X</u> Yes	<u> </u> No

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2019

SECTION II --- FINANCIAL STATEMENT FINDINGS

Finding 2019-01 — General Ledger Reconciliation

Criteria: The reconciliation of general ledger accounts throughout the year is an integral part of internal control to effectively account for and report the financial operations of the District. A review of the year end balances should also be performed to ensure that the financial statements are free of significant errors.

Condition: Several general ledger accounts were not properly or completely reconciled including: cash, accounts payable, capital assets, employee savings reimbursements, and credit card payable.

Cause: Accounting was not properly done to reconcile the accounts as follows:

- During the year the payroll fund was discontinued and the remaining balances were cleared through the cash account.
- Credit card charges were recorded as expenses to the federal, state, and local funds; however, credit card payments were also recorded as expenses in the local fund.
- Employee saving reimbursements were improperly reflected as expenses.
- Credit card charges and adjustment to clear payroll balances were improperly cleared in the bank reconciliation module.
- Accounts payable at year end had zero balances.
- The capital asset subledger was not fully reconciled to the beginning balances in the Excel depreciation schedule used in the prior year.

Effect: Audit adjustments were required to be prepared as part of the audit to fairly state the account balances. However, we noted no instances in which expenses were overstated in the federal or State funds.

Recommendation: We recommend that monthly reviews and reconciliations of all general ledger accounts be performed. Accounting staff should obtain additional accounting training to ensure that proper accounting and control of financial transactions is maintained.

SECTION III --- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal and state award findings and questioned costs required to be reported by the Uniform Guidance Section 200.516(a).

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

PLANNED CORRECTIVE ACTION/VIEWS OF RESPONSIBLE OFFICIALS

Year Ended August 31, 2019

Introduction:

After reviewing the draft audit and various conversation with auditors, SWART General Manager made immediate changes to personnel in the finance department. A new Chief Financial Manager was hired with the specific responsibilities to review and revise SWART's internal control manual, develop and implement the Month-End Checklists and Year-End Checklists; and implement procedural changes to ensure that the financial statements are free of significant errors. Additional duties include the continued development of other financial staff and administrative staff to continue performing daily financial functions that adhere to accepted accounting principles and federal/state requirements. This position is a part time position with an estimation of 20 work hours per week until the FY 2019 audit findings are addressed, and procedures are implemented. Hours per week will reduce throughout FY 2020 and audit preparation in which the position will transition to that of a periodic reviewer/auditor of SWART's financial statements and records to ensure positive annual audit reviews from independent auditors.

Finding No. 2019-01 – General Ledger Reconciliation

Specific Plan of Action Tasks include:

- Payroll Fund: Due to the closing of the payroll fund, this issue should be resolved. However, SWART will develop a month end checklist and a monthly reconciliation of payroll liabilities.
- Credit Card Charges: SWART will reconcile all credit card charges to expenditures and reconcile the credit card liability account on a monthly basis. This process will be added to the Month-End checklist and verified on a monthly basis.
- Employee Savings Reimbursements: This issue was resolved as the account was closed and audit adjustments were made to correct the balances. SWART will open a new account, and properly record the deposits and withdrawals to the correct account codes. The reconciliation of the New Cash Account will be added to the Month End Checklist, and the bank reconciliation for this account will be completed on a monthly basis.
- Credit Card Charges improperly cleared in the Bank Reconciliation Module: SWART will reconcile all credit card charges to expenditures and reconcile the credit card liability account on a monthly basis. This process will be added to the Month-End checklist and verified on a monthly basis.
- Accounts Payable: SWART will properly train staff in the proper posting of accounts payable for year-end purposes. This process will be added to the Year-End Closeout checklist and verified prior to audit.
- Capital Assets: Capital Assets are currently maintained in excel. SWART will properly train staff to fully implement the Fixed Assets Module in MIP and bring those balances into MIP to properly calculate depreciation for the following year. SWART will maintain a log of additions and deletions and verify that entries have been made in MIP.

Responsible Official:

- Sarah Hidalgo-Cook, General Manager

Anticipated Completion Date:

- August 31, 2020

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

PLANNED CORRECTIVE ACTION/VIEWS OF RESPONSIBLE OFFICIALS

Year Ended August 31, 2019

Finding No. 2017-01 – General Ledger Reconciliation/Review

Status:

- As of March 16, 2020 – SWART has hired a new Chief Financial Manager to review and revise internal control manual, develop the Month-End Checklists and Year-End Checklists; and implement monthly review and reconciliation of grants revenue/receivables, interfund receivables/payables, and accounts payable and payroll liabilities to strengthen controls over financial reporting.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended August 31, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
<u>Passed Through - Texas Department of Transportation</u>			
Section 5304 Federal - Planning	20.505	51008013017	\$ 88,991
Section 5304 Federal - Planning	20.505	51R08013018	44,384
Section 5304 Federal - Planning	20.505	51T08015119	2,659
Total CFDA Number 20.505			<u>136,034</u>
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018013018	811,345
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51019013019	35,859
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51R18013019	2,991
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51T18015118	988
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51T18015119	2,459
Total CFDA Number 20.509			<u>853,642</u>
Section 5310 Federal - Enhanced Mobility of Seniors & Individuals With Disabilities	20.513	51016023018	30,061
Section 5310 Federal - Enhanced Mobility of Seniors & Individuals With Disabilities	20.513	51016013019	5,937
Total CFDA Number 20.513			<u>35,998</u>
Section 5339 Federal - Bus and Bus Facilities Formula Program (Rural)	20.526	51003013019	67,859
<u>Total Passed Through Texas Department of Transportation</u>			<u>1,093,533</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,093,533</u></u>

SOUTHWEST AREA REAGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended August 31, 2019

1. The District utilizes fund accounting for each of its grants. A separate fund is maintained for each grant.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Amounts reported in the schedule of expenditures of federal awards are based on billed expenditures. Difference between billed expenditures and actual expenditures consist of expenditures financed with program income and other local revenues.
2. The District's funds are accounted for using the full accrual basis of accounting.
3. The District does not have any subrecipients.
4. The District did not elect to use the 10% de minimus indirect cost rate provided for by the Uniform Guidance.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2019

SECTION II — FINANCIAL STATEMENT FINDINGS

Finding 2017-01 — General Ledger Reconciliation/Review

Criteria: The reconciliation process of the general ledger throughout the year is an integral part of the internal control to effectively manage and monitor the financial operations of the District.

Condition: Several general ledger accounts were not completely and/or timely reconciled during the year and at year end, including: grants revenue/receivable, interfund receivables/payables, accounts payable, payroll liabilities and grant revenues.

Cause: There were changes in accounting personnel in the middle of the year. Also, the District implemented changes in its accounting system and implemented new accounting modules. The accounting functions may not have been sufficiently staffed during the year.

Effect: As a result of this, a number of adjusting journal entries were required to be prepared as part of the audit to fairly state the account balances.

Recommendation: We recommend that management implement a monthly review and reconciliation process of the grants revenue/receivables, interfund receivables/payables, and accounts payable and payroll liabilities to strengthen controls over financial reporting.

Status: