

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT Uvalde, Texas

REPORT ON THE CONDUCT OF AUDIT

Year Ended August 31, 2021

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Southwest Area Regional Transit District
Uvalde, Texas

We have audited the financial statements of the Southwest Area Regional Transit District (The District), a governmental entity, for the year ended August 31, 2021. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance; and, that we also communicate to you other information related to our audit. Such information is provided in Parts I through VIII of this report.

This letter does not affect our report dated March 25, 2022, on the financial statements of the District.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these parties.

We would like to take this opportunity to acknowledge the courtesy and assistance extended by personnel of the District during the course of our audit.

A handwritten signature in black ink, appearing to read "Garza / Gonzalez & Associates". The signature is stylized and cursive.

March 25, 2022

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

REPORT ON THE CONDUCT OF AUDIT

Year Ended August 31, 2021

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I. The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, and the Uniform Guidance

As stated in our engagement letter dated March 2, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas tested.

In planning and performing our audit, we will consider the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 is not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the District's compliance with those requirements.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

II. Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No significant changes in accounting policies were adopted during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Financial Statement Disclosures

The financial statement disclosures, as included in the financial statements, are neutral, consistent, and clear.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements is depreciation expense which is based on the estimated useful lives of assets and accrued annual leave, which is based on the number of leave hours accumulated through August 31, 2021. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

III. Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

IV. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of the audit procedures applied were considered material, either individually or in the aggregate, to the financial statements taken as a whole.

V. Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

VI. Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 25, 2022.

VII. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

VIII. Other Matters

Matters Discussed with Management Prior to Reappointment

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to reappointment as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information

With respect to the schedule of expenditures of federal awards and the schedule of operating program expenses by fund accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled such information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Information in Documents Containing the Audited Financial Statements

We are not aware of any other documents that contain the audited financial statements and the auditor's report therein. If we become aware that such documents were published, we would have a responsibility to read such information, in order to identify material inconsistencies, if any, with the audited financial statements.

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT Uvalde, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

Years Ended August 31, 2021 and 2020

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

ANNUAL FINANCIAL AND COMPLIANCE REPORT

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SOUTHWEST AREA REGIONAL TRANSIT DISTRICT'S
Uvalde, Texas

PRINCIPAL OFFICIALS

August 31, 2021

Board Members

Cristine Cardona-Guerrero for Judge Francisco Ponce
Dimmit

Judge Souli A. Shanklin
Edwards

Judge Tully Shahan
Kinney

Damiana Guzman for Judge Joel Rodriguez, Jr.
La Salle

Judge David Saucedo
Maverick

Judge Bella A. Rubio
Real

Judge Lupe Valerio for Judge Joe Luna
Zavala

Judge Bill Mitchell
Uvalde

General Manager

Sarah Hidalgo-Cook

Assistant General Manager

Cynthia Rodriquez

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 the business-type activities of the Southwest Area Regional Transit District (the District) as of and for the years ended August 31, 2021 and 2020, 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 business-type activities of the District, as of August 31, 2021 and 2020, 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, as listed in the table of contents, 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.

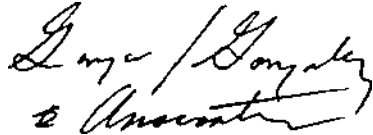
Other Information

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 March 25, 2022, 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 black ink, appearing to read "Jorge Gonzalez". The signature is written in a cursive, flowing style with a large, sweeping flourish at the end.

March 25, 2022

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, 2021. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities by \$3,967,749 (net position) for the current year reported. This compares to the previous year when assets exceeded liabilities by \$3,151,899.
- The District's total net position increased by \$815,850 for the current year reported.
- Total capital assets (net of depreciation) were \$3,269,992 for the current year reported compared to \$2,980,103 in the previous year, which increased by \$289,889 for the current year reported.
- The District received federal assistance in excess of \$2.3 million due to the Coronavirus Disease 2019 (COVID-19) from the Texas Department of Transportation. These funds were utilized for operating funds in lieu of the standard federal, state and local funding for this period.

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.

Basic 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 (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.

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 (82%) 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 public transportation 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 (18%) represents unrestricted net position that may be used to meet the District's ongoing obligations to creditors.

The District's net position increased \$815,850, compared to the previous year.

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

Statements of Net Position			
August 31,			
	2021	2020	2019
Current Assets	\$ 850,305	\$ 492,392	\$ 210,902
Capital Assets	3,269,992	2,980,103	2,178,697
Total Assets	<u>\$ 4,120,297</u>	<u>\$ 3,472,495</u>	<u>\$ 2,389,599</u>
Current Liabilities	\$ 95,838	\$ 263,885	\$ 180,408
Long Term Liabilities	56,710	56,710	67,189
Total Liabilities	<u>152,548</u>	<u>320,595</u>	<u>247,597</u>
Net Position			
Net Investment in Capital Assets	3,269,992	2,980,103	2,178,697
Unrestricted	697,757	171,796	(36,695)
Total Net Position	<u>\$ 3,967,749</u>	<u>\$ 3,151,899</u>	<u>\$ 2,142,002</u>

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

	Statements of Activities		
	August 31,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues			
Passenger Revenues	\$ 74,709	\$ 101,072	\$ 146,224
Rents and Other Revenues	546,415	292,360	275,319
Grants and Contributions	3,088,075	2,125,188	1,702,007
Total Operating Revenues	<u>3,709,199</u>	<u>2,518,620</u>	<u>2,123,550</u>
Operating Expenses			
Transportation Programs	3,100,257	2,304,663	2,012,027
Depreciation Expense	520,130	423,968	414,435
Total Operating Expenses	<u>3,620,387</u>	<u>2,728,631</u>	<u>2,426,462</u>
Operating Income (Loss)	<u>88,812</u>	<u>(210,011)</u>	<u>(302,912)</u>
Non-Operating Revenues (Expenses)			
Gain/(Loss) on Disposl of Capital Assets	(24,650)	(8,315)	(57,228)
Interest Expense	(4,999)	(10,232)	(14,173)
Total Non-Operating Revenue (Expenses)	<u>(29,649)</u>	<u>(18,547)</u>	<u>(71,401)</u>
Income (Loss) Before Capital Grants and Contributions	<u>59,163</u>	<u>(228,558)</u>	<u>(374,313)</u>
Capital Grants	756,687	1,238,455	-
Change in Net Position	815,850	1,009,897	(374,313)
Net Position at Beginning of Year	3,151,899	2,142,002	2,602,050
Prior Period Adjustments	-	-	(85,735)
Net Position at End of Year	<u>\$ 3,967,749</u>	<u>\$ 3,151,899</u>	<u>\$ 2,142,002</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, 2021, totaled to \$3,269,992 (net of accumulated depreciation). This investment in capital assets includes vehicles, buildings, furniture and equipment. A total of eight (8) vehicles were disposed in the current year. In the current year the District acquired five (5) vehicles, four (4) equipment-related assets, and made building improvements in the purchase of parking canopies and security lights and doors for a total value of \$869,245.

	Capital Assets (Net of Depreciation)		
	August 31,		
	2021	2020	2019
Land	\$ 209,654	\$ 209,654	\$ 209,654
Buildings	1,701,476	1,515,179	1,387,164
Machinery, Equipment & Vehicles	3,606,465	3,366,389	2,408,554
Accumulated Depreciation	(2,247,603)	(2,111,119)	(1,826,675)
Total	<u>\$ 3,269,992</u>	<u>\$ 2,980,103</u>	<u>\$ 2,178,697</u>

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 \$56,710 consist of compensated absences. Additional detailed information is found in note 9. to the financial statements.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS AND RATES

The budget for the year ended August 31, 2022 and actual revenues from fiscal year 2021 is as follows:

	Budget 2022	Actual 2021
Federal Grants	\$ 2,168,134	\$ 2,363,512
State Grants	572,946	709,097
TRS	456,480	-
Elderly and Disabled	320,000	134,000
Bus and Bus Facility	320,043	638,153
Other	10,000	621,124
Total	<u>\$ 3,847,603</u>	<u>\$ 4,465,886</u>

Federal and state grant allocations are expected to carryover into fiscal year 2022.

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:

Sarah Hidalgo-Cook, CCTM
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

STATEMENT OF NET POSITION

	August 31,	
	2021	2020
ASSETS		
Current Assets		
Cash	\$ 529,960	\$ 107,062
Restricted Cash - Staff Savings	16,130	9,900
Grants Receivable	304,215	375,430
Total Current Assets	850,305	492,392
Non-Current Assets		
Capital Assets		
Land	209,654	209,654
Buildings & Improvements	1,701,476	1,515,179
Vehicles & Equipment	3,606,465	3,366,389
Less: Accumulated Depreciation	(2,247,603)	(2,111,119)
Total capital assets (net of accumulated depreciation)	3,269,992	2,980,103
Total Non-Current Assets	3,269,992	2,980,103
Total Assets	\$ 4,120,297	\$ 3,472,495
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 9,502	\$ 14,939
Accrued Salaries and Benefits Payable	62,016	164,140
Due to Employees for Staff Savings	17,310	9,900
Credit Card Payable	7,010	12,623
Line of Credit	-	62,283
Total Current Liabilities	95,838	263,885
Non-Current Liabilities		
Compensated Absences	56,710	56,710
Total Non-Current Liabilities	56,710	56,710
Total Liabilities	152,548	320,595
NET POSITION		
Net Investment in Capital Assets	3,269,992	2,980,103
Unrestricted	697,757	171,796
Total Net Position	\$ 3,967,749	\$ 3,151,899

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

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

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

Years Ended August 31,

	2021	2020
Operating Revenues		
Grants	\$ 3,088,075	\$ 2,125,188
Passenger Fares	74,709	101,072
Rental Income	52,205	52,205
Contract Revenues	397,478	125,925
Donations	53,150	59,892
Other Revenues	43,582	54,338
Total Operating Revenues	<u>3,709,199</u>	<u>2,518,620</u>
Operating Expenses		
Transportation Programs	3,100,257	2,304,663
Depreciation Expense	520,130	423,968
Total Operating Expenses	<u>3,620,387</u>	<u>2,728,631</u>
Operating income (loss)	88,812	(210,011)
Non-Operating Revenues (Expenses)		
Gain/(Loss) on Disposal of Capital Assets	(24,650)	(8,315)
Interest	(4,999)	(10,232)
Total Non-Operating Revenues (Expenses)	<u>(29,649)</u>	<u>(18,547)</u>
Income (Loss) Before Capital Grants	<u>59,163</u>	<u>(228,558)</u>
Capital Grants and Contributions		
Capital Grants	<u>756,687</u>	<u>1,238,455</u>
Change in Net Position	815,850	1,009,897
Net Position at Beginning of Year	<u>3,151,899</u>	<u>2,142,002</u>
Beginning Net Position	3,151,899	2,142,002
Net Position at End of Year	<u><u>\$ 3,967,749</u></u>	<u><u>\$ 3,151,899</u></u>

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

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

STATEMENT OF CASH FLOWS

Years Ended August 31,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 88,812	\$ (210,011)
Adjustments to Reconcile change in Net Position to		
Net Cash Provided By Operating Activities:		
Depreciation	520,130	423,968
Loss on Disposal of Capital Assets	-	8,315
(Increase) Decrease in Operating Assets:		
Grants receivable	71,215	(236,173)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(5,437)	(15,374)
Accrued Salaries and Benefits Payable	(102,124)	105,203
Due to Employees for Staff Savings	7,410	9,900
Credit Card Payable	(5,613)	(22,896)
Compensated Absences	-	(10,479)
Net Cash Provided by Operating Activities	574,393	52,453
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest payments	(4,729)	(10,232)
Net Cash (Used) by Non Capital Financing Activities	(4,729)	(10,232)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Line of Credit	-	28,000
Proceeds from Sale of Capital Assets	34,575	-
Purchase of Capital Assets	(112,558)	(3,819)
Principal Payments on Line of Credit and Notes Payable	(62,283)	(21,355)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(140,266)	2,826
NET INCREASE IN CASH AND RESTRICTED CASH	429,398	45,047
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	116,692	71,645
CASH AND RESTRICTED CASH AT END OF YEAR	\$ 546,090	\$ 116,692
Supplemental Disclosures:		
Non-Cash Transaction: Acquisition of Equipment, Building, and Improvements from TXDOT programs	\$ 756,687	\$ 1,238,455
Reconciliation to Statement of Net Position:		
Cash	\$ 529,960	\$ 107,062
Restricted Cash	16,130	9,900.00
	\$ 546,090	\$ 116,962

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, 2021 and 2020

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 as a 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, 2021 and 2020

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 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 distinguishes between operating and nonoperating revenues and expenses. 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, 2021.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2021 and 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Restricted Cash

Cash that has been earmarked in connection with an employee savings program is not available for general operations. The restricted cash balance at August 31, 2021 and 2020 totaled \$16,130 and \$9,900; respectively, and is presented in the Statement of Net Position.

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, 2021 or 2020.

6. Restricted/Unrestricted Resources

The District applies restricted resources first 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, 2021 and 2020

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, 2021 and 2020 totaled \$56,710 and \$56,710 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 Formula Grants for Rural Areas and the Bus and Bus Facilities Program for fiscal year 2021. Capital Grants and Contributions totaled \$756,687 and \$1,238,455 respectively for the years ended August 31, 2021 and 2020, respectively.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2021 and 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. 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 required to be presented in this report.

II. 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, 2021 or 2020, 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, 2021 and 2020, the District's bank deposits were fully insured by FDIC and pledged securities.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2021 and 2020

II. 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,	
	2021	2020
CARES Funding	\$ -	\$ 342,381
Elderly	5,864	2,658
RPT Federal	98,483	-
RPT State	92,751	-
MPT	107,117	30,391
Total	\$ 304,215	\$ 375,430

C. Capital Assets

Capital asset activity for the year ended August 31, 2021, was as follows:

Governmental Activities	Balance September 1, 2020	Increases	Decreases	Balance August 31, 2021
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	1,515,179	186,297	-	1,701,476
Machinery, equipment and vehicles	3,366,389	682,948	(442,872)	3,606,465
Total capital assets, being depreciated	4,881,568	869,245	(442,872)	5,307,941
Less accumulated depreciation for:				
Building and improvements	(875,959)	(63,851)	-	(939,810)
Machinery, equipment and vehicles	(1,235,160)	(456,279)	383,646	(1,307,793)
Total accumulated depreciation	(2,111,119)	(520,130)	383,646	(2,247,603)
Total capital assets depreciated, net	2,770,449	349,115	(59,226)	3,060,338
Total capital assets, net	\$ 2,980,103	\$ 349,115	\$ (59,226)	\$ 3,269,992

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2021 and 2020

II. DETAILED NOTES ON ALL FUNDS (Continued)

Capital asset activity for the year ended August 31, 2020, was as follows:

Governmental Activities	Balance September 1, 2019	Increases	Decreases	Balance August 31, 2020
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	130,800	(2,785)	1,515,179
Machinery, equipment and vehicles	2,408,554	1,107,655	(149,820)	3,366,389
Total capital assets, being depreciated	3,795,718	1,238,455	(152,605)	4,881,568
Less accumulated depreciation for:				
Building and improvements	(825,876)	(52,706)	2,623	(875,959)
Machinery, equipment and vehicles	(1,000,800)	(371,262)	136,902	(1,235,160)
Total accumulated depreciation	(1,826,676)	(423,968)	139,525	(2,111,119)
Total capital assets depreciated, net	1,969,042	814,487	(13,080)	2,770,449
Total capital assets, net	\$ 2,178,696	\$ 814,487	\$ (13,080)	\$ 2,980,103

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's exposure 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 claims in excess of insurance coverage for any of the past three fiscal years.

F. Line of Credit

The District paid off a line of credit from Hondo National Bank during the fiscal year, which had an interest rate of 6.75% and was collateralized with four vehicles from their fleet. The District made principal payments of \$62,283 during the year ended August 31, 2021. The outstanding balances as of August 31, 2021 and 2020 were \$0 and \$62,283 respectively.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO THE FINANCIAL STATEMENTS

Years Ended August 31, 2021 and 2020

II. 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 as 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, 2021 and 2020 were \$18,066 and \$13,223, respectively. Employer contributions were \$47,279 in 2021 and \$36,516 in 2020. Contributions were paid to OneAmerica as a matching contribution representing 100% of the first 5% of employee contributions 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. Contingent Liabilities and Commitments

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, 2021 and 2020

II. DETAILED NOTES ON ALL FUNDS (Continued)

I. 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 Adjustment

The beginning net position at September 1, 2020 was restated to correct the prior year accumulated depreciation by \$142,884. The effect of the restatement was a decrease to the beginning net position.

SUPPLEMENTARY INFORMATION

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF OPERATING PROGRAM EXPENSES BY FUND

For The Year Ended August 31, 2021

	<u>RPT Federal</u>	<u>RPT State</u>	<u>Transit Support</u>	<u>Total</u>
EXPENSES				
SALARIES	\$ 1,062,296	\$ 390,830	\$ -	\$ 1,453,126
FRINGE BENEFITS	297,979	119,668	3,486	421,133
TOTAL PERSONNEL	<u>1,360,275</u>	<u>510,498</u>	<u>3,486</u>	<u>1,874,259</u>
AUDIT FEES	19,591	17,628	-	37,219
CONSULTANTS	25,000	-	-	25,000
TRAVEL/MEETING	9,994	9,520	9,535	29,049
TRAINING	12,586	6,234	6,440	25,260
UTILITIES	40,264	22,573	-	62,837
INSURANCE	49,390	17,043	-	66,433
FUEL AND OIL	103,018	54,940	-	157,958
MAINTENANCE/REPAIR	20,784	12,484	5,154	38,422
EMPLOYEE INCENTIVE	-	-	12,850	12,850
FEES/DUES	9,619	5,331	2,919	17,869
RENTAL/EQUIPMENT LEASE	27,338	14,141	307	41,786
SUPPLIES & UNIFORMS	59,166	10,885	500	70,551
OFFICE EQUIP/FURNITURE	34,921	568	-	35,489
MISCELLANEOUS	82	-	3,865	3,947
VEHICLE PREVENTATIVE MAINT	68,374	12,810	-	81,184
BLDG MAINT AND REPAIR	102,064	1,266	104	103,434
AUTOMATION SERVICES	20,188	9,270	-	29,458
HARDWARE ACQUISITION	40,304	1,308	-	41,612
SOFTWARE FEES	88,535	5,041	157	93,733
MISC EQUIP ACQUISITION	163,165	737	629	164,531
RENOVATIONS	87,376	-	-	87,376
CAPITAL EQUIP & VEHICLES	-	-	-	-
TOTAL TRANSPORTATION PROGRAMS	<u>2,342,034.00</u>	<u>712,277</u>	<u>45,946</u>	<u>3,100,257</u>
DEPRECIATION	389,558	-	130,572	520,130
TOTAL OPERATING EXPENSES	<u>\$ 2,731,592</u>	<u>\$ 712,277</u>	<u>\$ 176,518</u>	<u>\$ 3,620,387</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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 25, 2022.

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) 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 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. 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 may exist that have not been identified.

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 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 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.



George Gonzalez
 & Associates

March 25, 2022

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, 2021. 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, 2021.

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.



March 25, 2022

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2021

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> </u> Yes	<u> X </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> </u> Yes	<u> X </u> No

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2021

SECTION II --- FINANCIAL STATEMENT FINDINGS

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

SECTION III --- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended August 31, 2021

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	51008013021	\$ 34,772
Total CFDA Number 20.505			<u>34,772</u>
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018013021	633,519
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51R18013021	12,211
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018023021	44,225
Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018013019	451,963
Total Formula Grants for Rural Areas			<u>1,141,918</u>
CARES Act - Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018013020	1,045,825
CARES Act - Section 5311 Federal - Formula Grants for Rural Areas	20.509	51018053021	140,997
Total CFDA Number 20.509			<u>2,328,740</u>
Section 5310 Federal - Enhanced Mobility of Seniors & Individuals With Disabilities	20.513	51016013021	134,000
Total CFDA Number 20.513			<u>134,000</u>
Section 5339 Federal - Bus and Bus Facilities Formula Program (Rural)	20.526	51003013020	149,906
Section 5339 Federal - Bus and Bus Facilities Formula Program (Rural)	20.526	51003F13021	73,600
Section 5339 Federal - Bus and Bus Facilities Formula Program (Rural)	20.526	51003F13019	414,647
Total CFDA Number 20.526			<u>638,153</u>
<u>Total Passed Through Texas Department of Transportation</u>			<u>3,135,665</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,135,665</u>

SOUTHWEST AREA REAGIONAL TRANSIT DISTRICT
Uvalde, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended August 31, 2021

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.
5. During the year the District expended \$709,097 through the Rural State Program (Project ID#51218013021). Since these expenditures were reimbursed with state funds, they were not included in the Schedule of Expenditures of Federal Awards. Lastly, since the state expenditures were less than \$750,000 for the fiscal year ended August 31, 2021, an audit in accordance with the State Single Audit Circular was not applicable.

SOUTHWEST AREA REGIONAL TRANSIT DISTRICT
Uvalde, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2021

There were no prior audit findings reported.