

**CAPITAL AREA RURAL
TRANSPORTATION SYSTEM
ANNUAL FINANCIAL REPORT
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED AUGUST 31, 2022**

CAPITAL AREA RURAL TRANSPORTATION SYSTEM

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CAPITAL AREA RURAL TRANSPORTATION SYSTEM

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Capital Area Rural Transportation System

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of Capital Area Rural Transportation System (CARTS) as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise CARTS' basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of CARTS, as of August 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CARTS, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CARTS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CARTS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CARTS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 to 13 and budgetary comparison information on page 26 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.

The Supplemental Statement of Revenues, Expenditures, and Changes in Fund Balances - Local Government Funding and the Schedules of Expenditures of Federal and State Awards, 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* (Uniform Guidance) and the *State of Texas Single Audit Circular*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2023, on our consideration of CARTS' 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 CARTS' internal control over financial reporting and compliance.

Atchley & Associates LLP

Austin, Texas
May 23, 2023

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AUGUST 31, 2022**

INTRODUCTION

The Capital Area Rural Transportation System (CARTS) is a single purpose agency that was created as an interlocal administrative agency of its member political subdivisions in 1978 under the Interlocal Cooperation Act of 1971. CARTS was subsequently authorized by Texas Transportation Code Chapter 458 as a Rural Transit District (RTD) and a political subdivision of the state. This designation makes it eligible for formula apportionment of state and federal funds for transit services. Since its establishment, CARTS has served as an RTD for the non-urbanized areas of nine counties in central Texas, including Bastrop, Blanco, Burnet, Caldwell, Fayette, Hays, Lee, Travis, and Williamson Counties.

In 2012, the U.S. Census Bureau designated San Marcos/Redwood as an urbanized area (UZA) based on the results of the 2010 U.S. Census. As a result of the statutorily required Transportation Conference convened by the affected local governments (City of San Marcos, City of Martindale, Comal, Caldwell, and Hay counties) CARTS was selected to assume the direct recipient status for the UZA and formed an Urban Transit District in 2013. This CARTS UTD was dissolved effective October 1, 2019 when the City of San Marcos formed a UTD for the San Marcos/Redwood UZA. CARTS since that time has reverted to being solely an RTD. CARTS continues to operate the service on behalf of the City under an interlocal governmental agreement, but only as a contract operator.

CARTS operates, coordinates and plans transportation service in its district. As a transit district, the CARTS District is entitled to certain allocations of state and federal funds administered by the Texas Department of Transportation (TxDOT) that originate from federal and state appropriations for public transit services and infrastructure. These funds are either allocated to CARTS on an annual basis pursuant to funding formulae established by TxDOT or are awarded to CARTS for specific projects based on a competitive process particular to the funding source.

The formula funding of federal and state rural public transit funds from TxDOT comprise the sole source of dedicated funding to CARTS. Though these funds are subject to federal and state appropriations processes they represent our only dedicated funding. TxDOT and sometimes the FTA distribute other funds that are discretionary on a competitive basis, and CARTS routinely submits projects for consideration. CARTS also provides transportation under contract with human service agencies, local governments, other transit authorities, transportation brokers, and private bus companies to garner sufficient revenues to support a comprehensive transportation resource in its District. These other contract revenues account for a significant part of the total CARTS revenues. Most revenues are structured as cost- reimbursable contracts.

As the CARTS District has no taxing or bonding authority and derives all of its revenues from grants, contracts, fares, fees, leases, and other compensation related to providing and coordinating transportation services in its District, this limits the agency financially since most grants and contracts it administers are cost reimbursable. A positive cash flow is only maintained by a combination of strategies that include a line of credit, a fund balance, and any government grants that are advanced.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AUGUST 31, 2022**

INTRODUCTION - CONTINUED

Pursuant to its mobility management mission in its District, CARTS operates bus terminals, and at some of these terminals it serves as an independent agent for the private intercity bus companies that provide service from the CARTS Stations. As the agent for the companies, CARTS receives a commission on the sale of bus tickets and freight shipments, and derives revenues from vending, Western Union sales, and other activities related to its terminal operation. All CARTS Stations are also Greyhound stations with the Interurban routes serving as connectors to the national network of Greyhound. A significant addition to this network occurred this year with CARTS assuming the responsibility of being the terminal agent for Greyhound/FlixBus in Austin at the CARTS Eastside Bus Plaza.

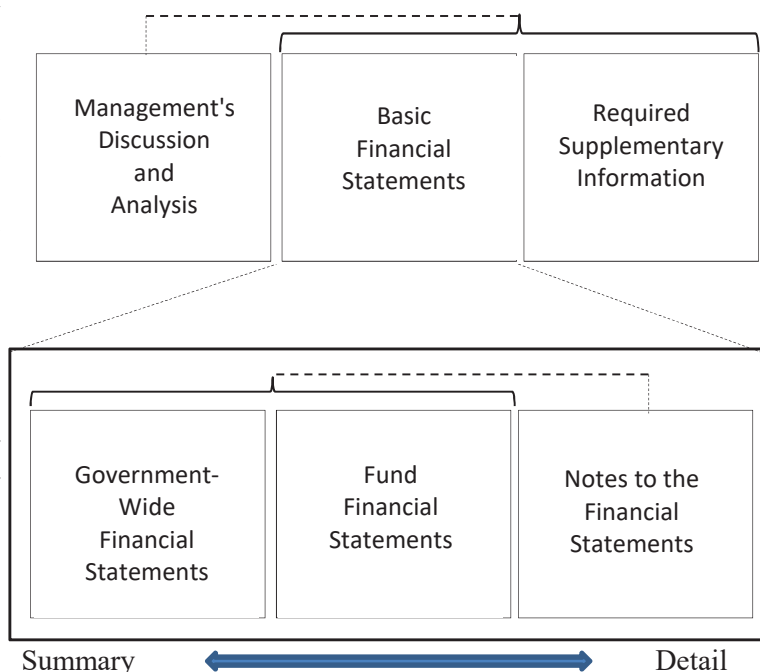
This section of the annual financial report presents our discussion and analysis of CARTS' financial performance during the fiscal year ended August 31, 2022. It should be read in conjunction with the financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the CARTS District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the CARTS District's overall financial status.
- The next four statements are fund level financial statements that focus on individual parts of the government, reporting the CARTS District's operations in more detail than the government-wide statements.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**FIGURE A-1
REQUIRED COMPONENTS OF
CARTS ANNUAL FINANCIAL REPORT**



**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AUGUST 31, 2022**

I. Government-wide Statements

The government-wide statements report information about CARTS as a whole using accounting methods similar to those used by private-sector companies.

The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the CARTS District's net position and if it has changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position. Over time, increases or decreases in the CARTS District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, it is necessary to consider additional factors such as changes in funding allocations or appropriations. The Texas Department of Transportation (TxDOT) has amended the allocation formulae and factors several times. These factors could have a significant impact on CARTS' finances over the succeeding years. If the Legislature or the U.S. Congress reduces appropriations for public transit or if TxDOT changes the formula distribution to the detriment of CARTS, the finances of the District will suffer, or conversely, if appropriations go up or formula distribution changes favor CARTS, its financial standing will improve.

The government-wide financial statements of the District include the governmental activities. The CARTS District's basic service of providing, coordinating, and planning transportation is included here. Grants, contracts, fares, leases, and other revenues finance most of these activities.

II. Fund Financial Statements

The fund financial statements provide more detailed information about the CARTS District's fund (the general fund), not CARTS as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The CARTS District has the following fund:

Governmental fund - The District's basic service is included in the governmental fund, which focuses on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AUGUST 31, 2022**

CONDENSED FINANCIAL INFORMATION

	Governmental Activities	
	2022	2021
Current Assets		
Cash	\$ 4,614,709	\$ 4,501,952
Grant and other accounts receivable	1,411,180	1,818,650
Prepays	99	99
Total Current Assets	6,025,988	6,320,701
Non-Current Assets		
Capital Assets		
Land	1,202,183	1,202,183
Construction in progress	202,657	764,525
Buildings	33,699,470	32,100,874
Vehicles and equipment	22,064,603	22,213,976
Accumulated depreciation	(20,785,292)	(18,821,000)
Total Non-Current Assets	36,383,621	37,460,558
Total Assets	\$ 42,409,609	\$ 43,781,259
Current Liabilities		
Accounts payable	\$ 202,803	\$ 200,492
Accrued liabilities	487,098	624,776
Total Current Liabilities	689,901	825,268
Noncurrent Liabilities		
Unearned revenue	384,329	718,711
Total Noncurrent Liabilities	384,329	718,711
Net Position		
Net investment in capital assets	36,383,621	37,460,558
Restricted for grants	204,669	204,669
Unrestricted	4,747,089	4,572,053
Total Net Position	41,335,379	42,237,280
Total Liabilities and Net Position	\$ 42,409,609	\$ 43,781,259

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AUGUST 31, 2022**

CONDENSED FINANCIAL INFORMATION - CONTINUED

	Governmental Activities	
	2022	2021
Program Revenue		
Federal and state awards	\$ 7,101,216	\$ 7,644,786
Contracts	3,734,869	5,504,464
Gain (loss) on sale of assets	14,992	74,412
Local government support	142,136	152,291
Ticket sales	14,283	11,808
Fares	143,014	72,801
Other	24,538	46,211
Total Program Revenues	11,175,048	13,506,773
Expenses		
Operating	10,690,537	10,803,498
Administration	1,386,412	1,401,061
Total Expenses	12,076,949	12,204,559
Increase (Decrease) in Net Position	\$ (901,901)	\$ 1,302,214

FINANCIAL ANALYSIS OF CARTS AS A WHOLE

CARTS' net position was \$41,335,379 as of August 31, 2022. This is a net decrease of \$901,901 over the August 31, 2021, balance of \$42,237,280.

During the year, the CARTS District's total revenue of \$11,175,048 was generated by grants, contracts, local government support, and commissions on ticket sales (intercity bus traffic), fares, sale of assets, and other income. This is a decrease of \$2,331,725 (17%) from the prior year, primarily from gains on sales of assets in the prior year and fluctuations in procurement and delivery schedules for capital projects.

CARTS used \$2,294,190 in capital outlays received from contracts and capital grants in the following assets, \$1,257,462 for 10 vehicles, investing \$105,085 in architect and construction on the Eastside Bus Plaza project. It also expended \$728,986 for architect and construction in Elgin, and \$202,657 for on-going projects in Taylor and Bastrop.

CARTS only has one fund (the General Fund). The fund balance increased \$350,097 this year. This was due to revenues over expenditures on certain contracts for service CARTS operated during this fiscal year and deferred revenues from the CTRMA dedicated to construction not yet completed on the Eastside Bus Plaza.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AUGUST 31, 2022**

FINANCIAL ANALYSIS OF CARTS AS A WHOLE - CONTINUED

The total operating cost in the general fund of the CARTS District's was \$11,086,320 of which \$2,294,190 (21%) was for capital outlays. The remaining \$8,792,130 for all other activities increased by \$539,248 (6.53%) over the prior year. The 6.53% increase reflects increases in costs from wages (we increased driver wage rates), fuel, marketing and tolls. The cost of fuel increased during this year. The increase in marketing is the community engagement project that was conducted this year. The 100% increase in toll charges is suspicious but we have found it difficult to audit. The chronic toll collection mismanagement by TXDOT vendors causes us to suspect these are overcharges, as our use of toll roads certainly did not double this year, yet our outlays did.

BUDGET VARIANCES

The final expenditures of approximately \$11.1 million were down by \$2.1 million from the original budgeted expenditures of \$13.2 million. \$1.7 million of this decrease was due to budgeted capital activities not completed during the fiscal year and the remaining \$0.4 million is the result of several line items (vehicle maintenance, fuel, salary, telephone) coming in well under budget.

Grant revenue was budgeted at approximately \$9.2 million. Actual grant revenue was \$7.3 million. Capital Deferred capital budgeted but not expended including the Eastside Bus Plaza construction phase 3 that was budgeted but deferred to the following fiscal year accounted for this difference.

Contract revenues were approximately \$3.7 million and were budgeted at approximately \$3.6 million.

OTHER FACTORS AND NEXT YEAR'S BUDGET

As noted in every discussion, the Texas Department of Transportation has adopted funding formulae and factors for the Section 5311 federal funds that it administers as well as state funds appropriated by the Texas Legislature for rural and small urban transportation assistance. Changes in this formula have been proposed and final results of how it will affect CARTS are unknown as of this writing, but the federal allocations for rural funding have increased by 30%. Delays in the publication of the results of the 2020 census has set back the application of the new TXDOT funding formula. As population is one of the factors we anticipate an increase in our funding base but until the final results are revealed we cannot accurately project future funding. CARTS reserved funds for its FY22 allocations by using The CARES Act funds granted to CARTS during the pandemic. These funds have provided us with a cushion, and we have reserved annual formula funding during the FY22 fiscal year. How TXDOT will let us manage the formula funds going forward will be an important element of our planning for future years. It is clear that salary and fuel costs will be higher in the FY23, and subsequent years and we will want to use our reserved funds to offset these increases in our costs of doing business, as well as to offer increased service levels where appropriate.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AUGUST 31, 2022**

OTHER FACTORS AND NEXT YEAR'S BUDGET - CONTINUED

Trends show that CARTS funding has remained stable, but CARTS continues to develop other funding streams regionally and is aggressive in participating in TxDOT and FTA competitive calls for project funding. Appropriations by the Texas Legislature and the funding provided in the latest federal transportation act will govern overall funding amounts. The Texas Legislature must appropriate transit funds for the next biennium (2024-2025) and the U.S. Congress must continue to appropriate funds authorized in the federal transportation act.

Several years ago, TxDOT began to allocate a larger portion of federal 5311 discretionary funds to transit districts based on revenue miles. This was beneficial to CARTS as it added a dependable revenue source in addition to our formula allocation. However, as we moved away from being a provider for Medicaid transportation our revenue miles declined and recent aberrations in the distribution of funds have reduced the CARTS allocation by 50% but it was an important element of our “dedicated” funding. TxDOT formula program revenues to CARTS for 2023, and operations supported by grants secured through the Capital Area MPO, Capital Metro, and TxDOT competitive programs for Intercity Bus Enhancements (ICB) and other federal funding opportunities will maintain our route service hours for 2023 on our Interurban routes. However, TxDOT has launched a planning project to evaluate the goals of the ICB funds and the results may affect how funding is prioritized.

In 2023, CARTS has a limited amount of additional capital funds coming for buses and ancillary equipment to replenish the fleet. Capital funding for rolling stock will continue to be an ongoing need for CARTS. The disposition of Austin HQ facility in 2017 replenished our unrestricted fund balance to provide a cash-flow cushion essential to our effective operation.

The aging of the CARTS facility network, five buildings constructed between 1990 and 2001, and the two added in recent years , will continue to contribute to our ongoing expenses, as maintenance and repair of these facilities accelerate with age. Our oldest facilities are those in Bastrop and Smithville. We renovated Bastrop last year and in FY23 we will have funds available to renovate Smithville Station. Renovations and improvements will continue on these assets, and this will continue to be a discretionary grant priority. We have made renovation of existing facilities a primary objective in discretionary funding opportunities.

The construction of an intermodal facility in Elgin was completed this year. Final additions to the Eastside Bus Plaza project with revenues deferred from the CTRMA funding was delayed but will begin in the last quarter of FY23.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AUGUST 31, 2022**

OTHER FACTORS AND NEXT YEAR'S BUDGET - CONTINUED

Changes in the census designations in the region that affected CARTS in 2013, with San Marcos becoming an urbanized area and Georgetown and Kyle becoming a part of the Austin MSA had a significant effect on CARTS. We expect similar effects in 2023 as the Census results are made official. Contract revenues from Capital Metro for service continuation in Georgetown and other suburban areas dedicated last year helped to partially replace lost medical transportation revenues. The Office of Mobility Management (OMM) jointly created by CARTS and Capital Metro continues to focus on eliminating gaps in services exacerbated by census changes and this activity will continue to create opportunity for additional collaboration between the two agencies. As transit development plans in other suburban areas are completed by Capital Metro there may be more opportunities for CARTS. The passage of the Project Connect funding will also present opportunities for CARTS and Capital Metro to collaborate on planned express routes that originate in the CARTS District.

The final results of the 2020 Census have been delayed. These changes may affect the jurisdictional boundaries and funding for CARTS. We are nearing completion of a planning project that will address the mitigation of the effects of the next Census results and to chart our course for the next five years and beyond.

A new arrangement for providing non-emergency medical transportation statewide was mandated by the Texas State Legislature in the previous biennium that took effect in 2021, wherein responsibility for non-emergency medical transportation (NEMT) is transferred to Managed Care Organizations (MCOs). CARTS will investigate and evaluate if this may be an entry point for us to again provide NEMT. The revenue source is an important part of the overall fabric of available funding to provide and coordinate transportation in rural areas, so it is incumbent upon us to analyze new opportunities.

The effects of the COVID-19 pandemic on CARTS in the 2021 and 2022 fiscal years has been significant as the financials reflect (increase in cost per hour, salary, etc.) but this year things got back to normal, but to mitigate issues with the recruitment of employees we have had to increase wages. This will be an ongoing issue we will face going forward. We prefer to retain rather than retrain and this will have an effect on our wages and benefits, as they will trend upward.

These factors will be areas of significant interest and activity as we progress through the 2023 fiscal year.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AUGUST 31, 2022**

COSTS OF SERVICE MEASURES

The CARTS District plans and proposes service by using an annual process of determining its cost per hour of service provided. This tool is useful for forecasting costs for specific routes, or for pricing services for purchasers of service, or for responding to competitive grant opportunities to expand services in the District. Cost per mile is another performance/planning/indicator measured.

The methodology for determining the Cost per Hour (CPH) and the Cost per Mile (CPM) is straightforward. The CPH is the total number of dollars spent providing services, as determined by the accompanying financial statements, divided by the total number of hours provided by CARTS in all modes of its services provided. The CPM is the total number of dollars spent providing services, as determined by the accompanying financial statements, divided by the total number of vehicle miles provided by CARTS in all modes of its services provided. There are six (6) different ways that the respective numbers are calculated:

1. CPH / CPM total: This includes all General Fund expenditures, capital included.
2. CPH / CPM operating/bus capital: This includes all General Fund operating expenditures, plus capital expended for bus purchases.
3. CPH / CPM, operating/bus capital local match only: This includes all General Fund operating expenditures plus the 20% local share required to match capital bus purchases that are federally funded.
4. CPH / CPM, operating only: This includes General Fund expenditures, less total capital outlay. This is the most commonly used CPH as it reflects most accurately the direct costs to operate service.
5. CPH / CPM, capital: This includes capital outlay only.
6. CPH / CPM, bus capital: This includes only the cost of bus purchases.

The basis of the calculations for the above planning numbers for 2022, based on expenses for 2022 is represented below.

Service Hour Source	Rate per Hour	Rate per Mile
CPH / CPM General Fund Expenditures per hour/mile	\$ 118.29	\$ 7.65
CPH / CPM General Fund Operating and Bus Capital	107.22	6.94
CPH / CPM General Fund Operating plus 20% Bus Capital	96.49	6.24
CPH / CPM General Fund Operating	93.81	6.07
CPH / CPM Total Capital Outlay	24.48	1.58
CPH / CPM Bus Capital Outlay	13.42	0.87

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AUGUST 31, 2022**

COSTS OF SERVICE MEASURES - CONTINUED

Service Hour Source	Mode	Total Hours	Vehicle Miles
Rural Paratransit	Paratransit	22,529	285,764
Microtransit	On-Demand	13,874	143,801
Interurban Regional	Fixed Route	10,930	270,365
Interurban Express	Fixed Route	3,810	117,272
Capital Metro Contract	Fixed Route	8,194	184,234
Capital Metro Contract	Fixed Route	2,269	47,295
Capital Metro Contract	Paratransit	12,179	148,046
San Marcos Urban	Fixed Route	14,238	202,911
San Marcos Urban	Paratransit	5,702	49,254
Total Hours of Service/Miles FYE 8/31/21		93,725	1,448,942
Total General Fund Expenditures			\$ 11,086,320
General Fund Operating Expenditures (excludes capital)			\$ 8,792,130
Total Bus Capital Outlays			\$ 1,257,462
Total Capital Outlays			\$ 2,294,190

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of CARTS finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jo Tucker, the Chief Finance Officer of CARTS, at (512) 481-1011.

BASIC FINANCIAL STATEMENTS

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
STATEMENT OF NET POSITION
AUGUST 31, 2022**

ASSETS

Cash and cash equivalents	\$ 4,614,709
Federal and state government awards receivable	1,411,180
Prepaid expenses	99
Land and construction in progress	1,404,840
Building, vehicles, and equipment, net	34,978,781
Total assets	42,409,609

LIABILITIES

Accounts payable	202,803
Accrued liabilities	487,098
Unearned revenues	384,329
Total liabilities	1,074,230

NET POSITION

Net investment in capital assets	36,383,621
Restricted for grants	204,669
Unrestricted	4,747,089
Total net position	\$ 41,335,379

The accompanying notes are an integral part of this financial statement.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022**

REVENUE

Federal and state government capital awards	\$ 2,186,199
Federal and state government operating awards	4,915,017
Contracts	3,734,869
Local government support	142,136
Gain (loss) on sale of assets	14,992
Other	181,835
Total Revenue	11,175,048

EXPENDITURES

Depreciation	3,284,819
Facility maintenance and repair	90,616
Fuel	890,248
Insurance	411,565
Internet, technology, and telephone	397,654
Marketing	159,564
Office equipment and supplies	110,559
Other	60,751
Payroll and related	6,081,685
Professional services	142,269
Rent	6,500
Toll fees	59,391
Utilities	143,173
Vehicle maintenance	238,155
Total Expenditures	12,076,949

Revenue Over Expenditures (901,901)

Beginning Fund Balance/Net Position 42,237,280

Ending Fund Balance/Net Position \$ 41,335,379

The accompanying notes are an integral part of this financial statement.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2022**

ASSETS

Cash and cash equivalents	\$ 4,614,709
Federal and state government awards receivable	1,411,180
Prepaid expenses	99
Total assets	6,025,988

LIABILITIES

Accounts payable	202,803
Accrued liabilities	487,098
Unearned revenues	384,329
Total liabilities	1,074,230

FUND BALANCE

Non-spendable	99
Restricted for grants	204,669
Unassigned	4,746,990
Total fund balance	\$ 4,951,758

The accompanying notes are an integral part of this financial statement.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
AUGUST 31, 2022**

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 4,951,758
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Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets, net of accumulated depreciation are not financial resources and; therefore, are not reported in the funds.	36,383,621
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NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 41,335,379</u></u>
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The accompanying notes are an integral part of this financial statement.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022**

REVENUES

Federal and state government capital awards	\$ 2,361,260
Federal and state government operating awards	4,915,017
Contracts	3,734,869
Local government support	142,136
Proceeds from sale of assets	101,300
Other	181,835
Total Revenues	11,436,417

EXPENDITURES

Capital outlay	2,294,190
Facility maintenance and repair	90,616
Fuel	890,248
Insurance	411,565
Internet, technology, and telephone	397,654
Marketing	159,564
Office equipment and supplies	110,559
Other	60,751
Payroll and related	6,081,685
Professional services	142,269
Rent	6,500
Toll fees	59,391
Utilities	143,173
Vehicle maintenance	238,155
Total Expenditures	11,086,320

Net Change in Fund Balances	350,097
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Fund Balances - Beginning of Year	4,601,661
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Fund balances - End of Year	\$ 4,951,758
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The accompanying notes are an integral part of this financial statement.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 350,097

Amounts reported for *governmental activities* in the statement of activities are different due to the following:

Governmental funds report capital outlays as expenditures and proceeds from sales at the gross amount received. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense and gain(loss) on sale based on net book value of the asset at the time of the sale. This is the amount by which depreciation exceeded capital outlay expenses in the current period. (904,321)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include the recognition of unearned revenue. (175,061)

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ (729,285)

The accompanying notes are an integral part of this financial statement.

CAPITAL AREA RURAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Capital Area Rural Transportation System (CARTS) is a single purpose agency that was created in 1978 under the Interlocal Cooperation Act of 1971 as an Interlocal administrative agency of its member political subdivisions. CARTS is a Rural Transit District of the State of Texas and a political subdivision of the state. It derives its statutory authority as a Rural Transit District from Chapter 458 of the Transportation Code, and is the Rural Transit District for the nine-county area of Bastrop, Burnet, Blanco, Caldwell, Fayette, Hays, Lee, Travis, and Williamson counties. The objective of CARTS is to coordinate resources for public transportation in Federal Planning Region 12. CARTS is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The financial statements of CARTS have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements include:

- 1 A Management's Discussion and Analysis (MD&A) section that provides an analysis of CARTS' overall financial position and results of operations.
- 2 Financial statements prepared using full accrual accounting for all of CARTS' activities, including capitalization and depreciation of fixed assets.
- 3 Fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

CARTS' basic financial statements include government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The government-wide focus is more on the sustainability of CARTS as an entity and the change in CARTS' net position resulting from the current year's activities. CARTS does not have any business type activities.

GOVERNMENTAL FUND TYPES

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of CARTS:

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GOVERNMENTAL FUND TYPES - CONTINUED

General Fund:

CARTS accounts for financial resources used for general operations in this fund. All financial resources are accounted for in the General Fund.

NET POSITION/FUND BALANCE (NONSPENDABLE, RESTRICTED, UNASSIGNED, ETC.)

For the government-wide financial statements, restricted net position represents assets that have externally imposed restrictions by grantors. Assets may also be restricted as imposed by law through constitutional provisions or enabling legislation. Net investment in capital assets represents capital assets, net of accumulated depreciation and is reduced by outstanding balances of debt that is attributed to the acquisition, construction, or improvement of those assets.

Governmental funds are reported in the following classifications:

Nonspendable - amounts that cannot be spent because they are either not in spendable form or they are required, legally or contractually, to be maintained intact. This classification includes items such as inventories, prepaid amounts, assets held for resale, and long-term receivables.

Restricted - as in the government-wide financial statements, these amounts represent assets that have externally imposed restrictions by creditors, grantors, contributors, or laws or regulations of other governments. Assets may also be restricted as imposed by law through constitutional provisions or enabling legislation.

Unassigned - amounts that have not been restricted, committed, or assigned. The General Fund is the only fund that reports positive unassigned fund balance.

BASIS OF ACCOUNTING

The governmental fund financial statements are presented on the modified accrual basis of accounting, which recognizes revenues in the accounting period in which they become measurable and available and recognizes expenditures when the related fund liability is incurred, if measurable. All revenue is considered program revenue because CARTS receives no taxes or other general revenue. CARTS uses a 60-day period to determine if revenue is susceptible to accrual (available) under the modified basis of accrual.

DEPOSIT POLICY

CARTS has not adopted a policy limiting the government's allowable deposits.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

CAPITAL ASSETS

Capital assets purchased or acquired with a cost of \$5,000 or more are reported at historical cost. Contributed assets are reported at estimated fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method over the estimated useful lives as follows:

Buildings	40 years
Vehicles and equipment	5-7 years

FEDERAL AND STATE GOVERNMENT AWARDS AND ACCOUNTS RECEIVABLE

CARTS has not recorded an allowance for uncollectible accounts against the grants or accounts receivable balances because the receivables are considered to be 100% collectible. All receivables on the statement of financial position are due within the next fiscal year. CARTS estimates allowances for doubtful accounts by evaluating the creditworthiness, the historical collections, and the aging of the accounts. Once an account is deemed uncollectible, it is written off. Receivables are considered delinquent based on how recently payments have been received.

ACCRUED LEAVE

In accordance with CARTS' policy, each full-time employee earns eight hours of vacation and sick leave a month. Part-time employees earn a pro-rata portion based on the number of hours worked. Vacation hours may accumulate up to 120 hours and sick leave may accumulate up to 960 hours. Accumulated vacation earned but not used is vested and payable to the employee upon termination.

NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, Statement No. 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 97, *Certain Component Unit Criteria, and Account and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, and GASB Statement No. 99, *Omnibus 2022* during the current year. None of these GASB Statements had an impact on the financial statements of CARTS.

CAPITAL AREA RURAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

Management of CARTS has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

NOTE 2: DEBT - DUE WITHIN ONE YEAR

CARTS has a revolving line of credit that may be renewed every twelve months with an interest rate of 2.40% and a total available balance of \$2,200,000. The balance outstanding at August 31, 2022, is \$0. The line of credit is collateralized by a CD with a value of \$2,283,909.

NOTE 3: CAPITAL ASSETS

	Beginning Balance	Additions	Reclass/ Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,202,183	\$ -	\$ -	\$ 1,202,183
Construction in progress	764,525	931,643	(1,493,511)	202,657
	<u>\$ 1,966,708</u>	<u>\$ 931,643</u>	<u>\$ (1,493,511)</u>	<u>\$ 1,404,840</u>
Capital assets being depreciated:				
Buildings	\$ 32,100,874	\$ 1,598,596	\$ -	\$ 33,699,470
Vehicles and equipment	22,213,976	1,257,462	(1,406,835)	22,064,603
Accumulated depreciation	(18,821,000)	(3,284,819)	1,320,527	(20,785,292)
	<u>\$ 35,493,850</u>	<u>\$ (428,761)</u>	<u>\$ (86,308)</u>	<u>\$ 34,978,781</u>

NOTE 4: CONCENTRATIONS

At year-end, bank balances in excess of Federal Deposit Insurance Corporation coverage amount were covered 100% by pledged securities.

CAPITAL AREA RURAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE 5: RETIREMENT PLAN

CARTS offers a 457(b) retirement plan for its employees. The plan is an elective plan, which is available to all employees. CARTS matches 100% of all employee contributions up to 3%. CARTS' contributions during the current year were \$52,711.

NOTE 6: BUDGET

CARTS adopts an annual budget for the General Fund. CARTS amends the budget as needed during the year. All annual appropriations lapse at fiscal year-end. The original budget was not amended during the year. There were several negative variances in expenses due to no budget amendments being made during the year and difficulties in predicting expenses for the upcoming year.

NOTE 7: COMMITMENTS

CARTS entered into a 40-year lease on July 22, 2008, with the City of Georgetown, for use of the land on which a facility has been constructed. While the lease agreement contains provisions for rent, currently, the City of Georgetown is allowing CARTS use of the land for no cost.

NOTE 8: RISK MANAGEMENT

CARTS is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CARTS has joined with other cities/political subdivisions in the state to participate in the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool, consisting of approximately 2,600 member cities/political subdivisions located throughout the state of Texas. CARTS' premiums to the risk pool are for general liability, property, auto physical damage, auto liability, mobile equipment, errors and omissions, and workers' compensation.

Texas Municipal League Intergovernmental Risk Pool operates under the terms of interlocal agreements with the member entities and is a public entity risk pool operating as a common risk management and insurance program. The pool has a workers' compensation fund, a property fund, and a liability fund. Members may choose to participate in one or more of the funds. CARTS' risk is limited to the amount of premiums paid unless the pool should fail, in which case, CARTS would be liable for its ratable share of the pool deficit.

The funds of the public entity risk pool are intended to be self-sustaining through member contributions. CARTS pays an annual premium to the risk pool for its insurance coverages. The pool carries, as required by the interlocal agreements, insurance or reinsurance through commercial insurance companies that is believed, by the management of the pool, to be adequate to protect the financial stability of the existence of the pool. It is anticipated that such coverages will continue to vary in the future as the pool reserves the right to adjust the insurance/reinsurance coverage.

CAPITAL AREA RURAL TRANSPORTATION SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2022

NOTE 8: RISK MANAGEMENT - CONTINUED

Commercial insurance is carried for employee fidelity. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years, and there was no significant reduction of insurance coverage from the prior year.

NOTE 9: ADJUSTMENTS TO CONVERT FUND STATEMENT TO GOVERNMENT-WIDE

Fund balance	\$ 4,951,758
Add capital assets not recorded in the fund statements	<u>36,383,621</u>
Net position	<u>\$ 41,335,379</u>
Change in fund balance	\$ 350,097
Purchases of capital assets	2,294,190
Sale of capital assets	86,308
Depreciation expense not included in the fund statements	(3,284,819)
Change in unavailable revenue from prior year	<u>(175,061)</u>
Change in net position	<u>\$ (729,285)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal and state government capital awards	\$ 3,994,559	\$ 3,994,559	\$ 2,361,260	\$ (1,633,299)
Federal and state government operating awards	5,177,094	5,177,094	4,915,017	(262,077)
Contracts	3,596,610	3,596,610	3,734,869	138,259
Local government support	135,000	135,000	142,136	7,136
Proceeds from sale of assets	-	-	101,300	101,300
Other	129,000	129,000	181,835	52,835
Total Revenues	<u>13,032,263</u>	<u>13,032,263</u>	<u>11,436,417</u>	<u>(1,595,846)</u>
EXPENDITURES				
Capital outlay	3,994,559	3,994,559	2,294,190	1,700,369
Facility maintenance and repair	105,000	110,000	90,616	19,384
Fuel	800,000	850,000	890,248	(40,248)
Insurance	395,000	395,000	411,565	(16,565)
Interest expense	15,000	15,000	-	15,000
Internet, technology, and telephone	450,087	452,087	397,654	54,433
Marketing	50,000	50,000	159,564	(109,564)
Office equipment and supplies	103,500	118,500	110,559	7,941
Other	101,815	112,015	60,751	51,264
Payroll and related	6,429,802	6,429,802	6,081,685	348,117
Professional services	81,000	116,000	142,269	(26,269)
Rent	6,000	6,000	6,500	(500)
Toll fees	32,000	58,000	59,391	(1,391)
Utilities	150,000	150,000	143,173	6,827
Vehicle maintenance	318,500	338,000	238,155	99,845
Total Expenditures	<u>13,032,263</u>	<u>13,194,963</u>	<u>11,086,320</u>	<u>2,108,643</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>\$ -</u>	<u>\$ (162,700)</u>	<u>\$ 350,097</u>	<u>\$ 512,797</u>

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
SUPPLEMENTAL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - LOCAL GOVERNMENT FUNDING
FOR THE YEAR ENDED AUGUST 31, 2022**

	Local Operating Revenue	Local Planning Revenue	Expenditures	Revenue Over Expenditures	Beginning Fund Balance	Ending Fund Balance
Bastrop County	\$ 15,000	\$ -	\$ 15,000	\$ -	\$ -	\$ -
Blanco County	3,000	-	3,000	-	-	-
Burnet County	8,000	-	8,000	-	-	-
Caldwell County	3,000	-	3,000	-	-	-
Fayette County	10,000	-	10,000	-	-	-
Hays County	20,000	-	20,000	-	-	-
Lee County	10,000	-	10,000	-	-	-
City of Bastrop	20,000	-	20,000	-	-	-
City of Bertram	1,000	-	1,000	-	-	-
City of Burnet	8,000	-	8,000	-	-	-
City of Elgin	3,000	-	3,000	-	-	-
City of Flatonia	2,000	-	2,000	-	-	-
City of Giddings	3,375	-	3,375	-	-	-
City of Johnson City	2,000	-	2,000	-	-	-
City of LaGrange	6,000	-	6,000	-	-	-
City of Lexington	500	-	500	-	-	-
City of Lockhart	7,261	-	7,261	-	-	-
City of Marble Falls	8,000	-	8,000	-	-	-
City of Schulenburg	500	-	500	-	-	-
City of Smithville	2,500	-	2,500	-	-	-
City of Taylor	9,000	-	9,000	-	-	-
	<u>\$ 142,136</u>	<u>\$ -</u>	<u>\$ 142,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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INDEPENDENT AUDITORS' 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*

Board of Directors
Capital Area Rural Transportation System

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 governmental activities and general fund of Capital Area Rural Transportation System (CARTS) as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise CARTS' basic financial statements, and have issued our report thereon dated May 23, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CARTS' 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 CARTS' internal control. Accordingly, we do not express an opinion on the effectiveness of CARTS' 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 CARTS' 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 cursive script that reads "Atchley & Associates LLP".

Austin, Texas
May 23, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND THE *STATE OF TEXAS*
*SINGLE AUDIT CIRCULAR***

Board of Directors
Capital Area Rural Transportation System

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Capital Area Rural Transportation System (CARTS) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of CARTS' major federal and state programs for the year ended August 31, 2022. CARTS' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CARTS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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), and the *State of Texas Single Audit Circular*. Our responsibilities under those standards, the Uniform Guidance, and the State of Texas Single Audit Circular are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *State of Texas Single Audit Circular*, we:

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

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

Report on Internal Control Over Compliance

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

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 and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state 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 and state 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Atchley & Associates LLP

Austin, Texas

May 23, 2023

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2022**

Federal Grantor Pass Through Grantor/ Program Title	Term	Pass-Through Grantor's Number	Federal AL Number	Award Amount	Federal Expenditures
U.S. Department of Transportation/Passed Through the Federal Transit Authority:					
Section 5339 - Project # BBF 2001 (14) 069_20	06/05/2020 - 05/31/2022	TX-2020-069	20.526	\$ 287,662	\$ 21,049
Section 5339 - Project #BBF 2201 (14) 069_20	02/23/2022 - 12/31/2022	TX-2020-069	20.526	183,835	133,782
Section 5339 - Project # DIS 2101 (14) 129_20	09/01/2020 - 09/30/2022	TX-2020-129	20.526	1,541,635	476,183
					631,014
Total for Federal Transit Cluster					631,014
U.S. Department of Transportation/Passed Through the Texas Department of Transportation:					
Section 5311 - Project # RPT 2101 (14) 045_20	10/01/2020 - 06/30/2022	TX-2020-045	20.509	1,566,250	767,901
Section 5311 - Project CAP 2101 (14) 072_20	02/25/2021 - 12/31/2022	TX-200-072	20.509	3,152,873	2,289,683
Section 5311 - Project ARP 2201 (14) 107_21	10/29/2021 - 12/31/2022	TX-2021-107	20.509	155,248	155,248
Section 5311 - Project # RPT 2201 (14) 063_21	09/01/2021 - 12/31/2022	TX-2021-063	20.509	1,570,362	269,386
Section 5311 - Project # ICB 2201 (14) 107_21	09/01/2021 - 12/31/2022	TX-2021-107	20.509	332,761	270,272
Section 5311 - Project # ICB	09/20/2020 - 08/31/2022	TX-2019-039	20.509	753,795	385,430
Section 5311 - Project # RPT 2102 (14)	11/23/2020 - 08/31/2022	51018031421	20.509	587,907	204,726
Section 5311 - Project # RD 2101 (14) 030_18	06/11/2021 - 12/31/2021	TX-2018-030	20.509	469,199	146,968
					4,489,614
Total CFDA 20.509					
5304 Federal - Planning - Project # PLN 2101 (14) 028_17	09/01/2020 - 06/30/2022	TX-2018-028	20.505	150,000	142,057
5304 Federal - Planning - Project # PLN 2103 (14) 086_18	09/01/2020 - 08/31/2022	TX-2018-086	20.505	218,400	88,852
5304 Federal - Planning - Project # PLN 210	09/01/2020 - 08/31/2022	TX-2018-086	20.505	200,000	52,663
5304 Federal - Planning - Project #PLN 210	09/01/2020 - 08/31/2022	TX-2018-086	20.505	100,000	82,048
					365,620
Total CFDA 20.505					
Total Expenditures of Federal Awards					\$ 5,486,248

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED AUGUST 31, 2022**

State Grantor Pass Through Grantor/ Program Title	Term	Pass-Through Grantor's Number	Program or Award Amount	State Expenditures
Texas Department of Transportation: State match for CFDA #20.509	10/01/2020 - 8/31/2022	51218011421	\$ 1,284,216	\$ 701,952
Section 5311 RUR State Program	09/01/2021 - 8/31/2022	51218011422	987,509	131,736
			<u>833,688</u>	<u>833,688</u>
Total Expenditures of State Awards			<u>\$ 833,688</u>	<u>833,688</u>

CAPITAL AREA RURAL TRANSPORTATION SYSTEM
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED AUGUST 31, 2022

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of CARTS and is presented on the accrual basis of accounting. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*.

NOTE 2: INDIRECT COST RATE

CARTS has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2022**

I. Summary of Auditors' Results	<u>Description</u>
Financial statements	
a. Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
b. Material weakness(es) identified?	None
c. Significant deficiency(ies) that are not considered to be material weaknesses?	None reported
d. Noncompliance material to the financial statements noted?	No
Federal and State Awards	
Internal control over major programs:	
e. Material weakness(es) identified?	None
f. Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
g. Type of auditors' report issued on compliance for major programs	Unmodified
h. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) and <i>State of Texas Single Audit Circular</i> ?	No
i. Major federal and state program(s) were:	
<u>AL No.</u> <u>Name of Program</u>	
20.509 Section 5311 Projects	
State Section 5311 RUR State Program - Match for CFDA #20.509	
j. Dollar threshold considered between Type A and Type B federal and state programs:	\$750,000
k. Auditee qualified as low risk?	Yes
II. Findings Relating to the Financial Statements which are required to be reported in Accordance with Generally Accepted Government Auditing Standards	
None	
III. Findings and Questioned Costs for Federal and State Awards	
None	

**CAPITAL AREA RURAL TRANSPORTATION SYSTEM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2022**

Prior Audit Findings

None

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