



Financial Statements
September 30, 2021

Valley Regional Transit

Independent Auditor’s Report.....	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of Net Position	13
Statement of Revenues, Expenses and Change in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	16
Required Supplementary Information	
Schedule of Employer’s Share of Net Pension Liability (Asset) and Employer Contributions	30
Federal Awards Reports in Accordance with the Uniform Guidance	
Schedule of Expenditures of Federal Awards	31
Notes to Schedule of Expenditures of Federal Awards	32
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 <i>Government Auditing Standards</i>	33
Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	35
Schedule of Findings and Questioned Costs	37



Independent Auditor's Report

To the Board of Directors
Valley Regional Transit
Meridian, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Regional Transit (VRT) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise VRT'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VRT as of September 30, 2021, and the respective change in financial position and, its cash flows thereof for the year 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, schedule of employer's share of net pension liability (asset) and employer contributions 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 an opinion on the financial statements that collectively comprise VRT's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit 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 is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2022 on our consideration of VRT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of VRT'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 VRT's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
January 18, 2022

The following provides the readers of Valley Regional Transit's (VRT) financial statements with a narrative overview and analysis of the financial activities of VRT for the fiscal year ended September 30, 2021 (Fiscal Year 2021).

Financial Highlights

- The assets and deferred outflows of financial resources of VRT exceeded its liabilities and deferred inflows of resources at September 30, 2021, by \$34,137,866.
- Total net position of VRT increased by \$4,153,140 while the net investment in capital assets portion of net position increased by \$3,002,087. Unrestricted and restricted net position increased by \$1,107,764 and \$43,289, respectively, between the two fiscal years.

Overview of the Financial Statements

The discussion and analysis related to the overview of the financial statements is intended to serve as an introduction to Valley Regional Transit's basic financial statements and is designed to provide readers with a broad overview of VRT's finances in a manner similar to a private-sector business. The following describes each of the statements and their use:

- *Statement of Net Position* presents information on the assets, deferred outflow of resources, liabilities and deferred inflow of resources; with the resultant net difference being reported as net position. Analyzing increases and decreases in net position is one way to measure VRT's overall financial position and may serve as an indicator of whether the financial position of the organization is improving or deteriorating.
- *Statement of Revenues, Expenses, and Change in Net Position* shows how VRT's net position changed during the year. VRT is structured as a single enterprise fund established to operate in a manner similar to private business enterprises where our intent is to provide services to our ridership on a continuing basis in part through user fees. VRT's accounting system functions and reports on an accrual basis of accounting. Accrual accounting dictates that revenues are recognized when earned, not when received, and expenses are recognized when incurred, not when paid. Additionally, all changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows.

The notes to the financial statements provide additional information that is helpful when analyzing the data provided in the basic financial statements.

Financial Analysis

Statement of Net Position

As previously noted, net position may serve over time as a useful indicator of an entity's financial position. As of September 30, 2021, the net position of Valley Regional Transit was \$34,137,866.

	<u>2021</u>	<u>2020</u>
Assets		
Current assets	\$ 6,906,720	\$ 6,006,516
Capital assets	<u>32,877,822</u>	<u>29,181,683</u>
Total assets	39,784,542	35,188,199
Deferred outflow of resources	<u>736,515</u>	<u>370,603</u>
Total assets and deferred outflow of resources	<u><u>\$ 40,521,057</u></u>	<u><u>\$ 35,558,802</u></u>
Liabilities		
Current liabilities	\$ 4,302,568	\$ 4,359,929
Long-term liabilities	<u>694,052</u>	<u>1,171,996</u>
Total liabilities	4,996,620	5,531,925
Deferred inflow of resources	<u>1,386,571</u>	<u>42,151</u>
Total liabilities and deferred inflow of resources	<u><u>6,383,191</u></u>	<u><u>5,574,076</u></u>
Net position		
Net investment in capital assets	32,183,770	29,181,683
Restricted	43,289	-
Unrestricted	<u>1,910,807</u>	<u>803,043</u>
Total net position	<u><u>34,137,866</u></u>	<u><u>29,984,726</u></u>
Total liabilities and deferred inflow of resources	<u><u>\$ 40,521,057</u></u>	<u><u>\$ 35,558,802</u></u>

Current asset balances were \$900,204 higher in FY 2021 as compared to the prior fiscal year as a result of the increase in federal receivable, which increased by \$2,098,491. Cash decreased by \$1,139,895 between the two years. Receivables and net pension asset increased by \$2,047,883 and inventories decreased by \$7,734. Inventory balances fluctuate based on when inventories are consumed and replaced.

The balance of current liabilities was \$636,691 higher in FY 2021, as compared to the prior fiscal year. Total working capital (current assets less current liabilities) increased \$263,513 between the two fiscal years. VRT working capital was in a positive position of \$1,910,100 at the end of FY 2021.

By far, the largest portion of VRT's net position reflects the regional transportation authority's net investment in capital assets. All capital assets are used by VRT in the provision of regional public transportation services and are utilized in the capacity as intended and therefore are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities. VRT's net capital assets are further restricted. Any liquidation occurring prior to the end of the asset's useful life must have the corresponding federal assistance repaid to the Federal Transit Administration (FTA).

The capital asset base increased net by \$3,696,139 after taking into consideration increases in depreciation and certain vehicle and equipment disposals at September 30, 2021.

VRT's depreciation schedule is compliant with FTA regulations and is an unfunded expense.

Unrestricted net position, which represents assets that may be used to meet on going obligations to VRT's ridership and creditors, was in a surplus position of \$1,910,807 at the end of the fiscal year. Unrestricted net position increased by \$1,107,764, as compared to the prior fiscal year.

Statement of Revenues, Expenses, and Change in Net Position

Operating as a single enterprise fund, Valley Regional Transit's financial structure is similar to a private business enterprise with the exception of unique revenue and expense reporting categories which are dictated by the FTA. All recipients of federal assistance are required to conform to standardized revenue and expense classifications for the purpose of reporting on specific federal grant assistance programs.

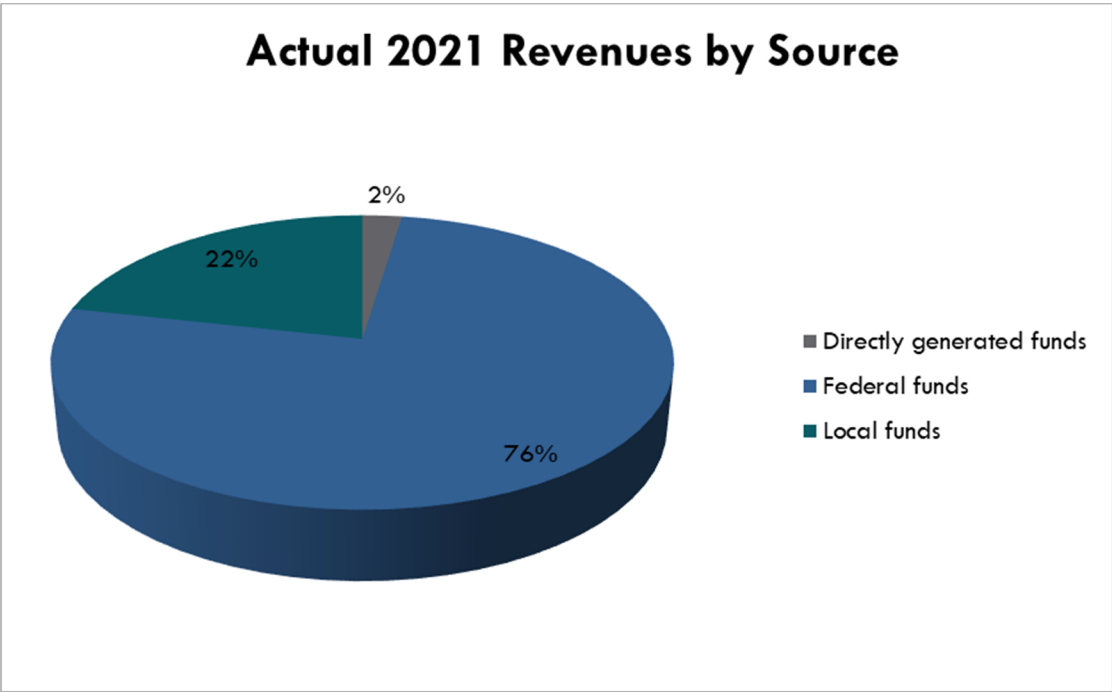
Valley Regional Transit receives federal operating and capital assistance through the FTA Section 5307 Urbanized Area Formula Program and the FTA Section 5339 Capital Program for both the Boise Transportation Management Area (TMA) and the Nampa Urbanized Area (UZA). VRT also receives funding from Federal Section 5310 (Enhanced Mobility for Seniors and Individuals with Disabilities) Program. While Valley Regional Transit is the designated recipient of federal funds for both the Boise TMA and Nampa UZA, each area is operated and funded independently.

Local revenues are contributions made by each of the members of VRT's supporting regional management as well as service contributions which are intended to fund the operating expenses of the various VRT programs, depending upon the services a member receives.

	2021	2020
Revenues		
Directly generated funds	\$ 584,234	\$ 713,700
Auxiliary transportation funds	780,023	526,527
Non transportation funds	256,896	444,663
Federal funds	18,520,900	10,137,904
Local funds	5,239,925	9,398,415
Net gain on sale of capital assets	18,271	3,718
Total revenues	25,400,249	21,224,927
Expenses		
Salaries and fringe benefits	11,439,325	11,126,481
Professional services	1,939,725	1,611,155
Materials and supplies	1,238,518	1,175,856
Utilities	288,243	274,902
Casualty and liability insurance	687,166	513,363
Miscellaneous	1,040,576	1,031,290
Interest expense	-	66
Lease and rental	188,497	182,587
Non-capital expenditures	483,913	1,899,818
Purchased transportation	1,199,511	1,182,769
Depreciation	2,741,635	2,881,514
Total expenses	21,247,109	21,879,801
Change in Net Position	4,153,140	(654,874)
Beginning Balance Net Position	29,984,726	30,639,600
Ending Balance Net Position	\$ 34,137,866	\$ 29,984,726

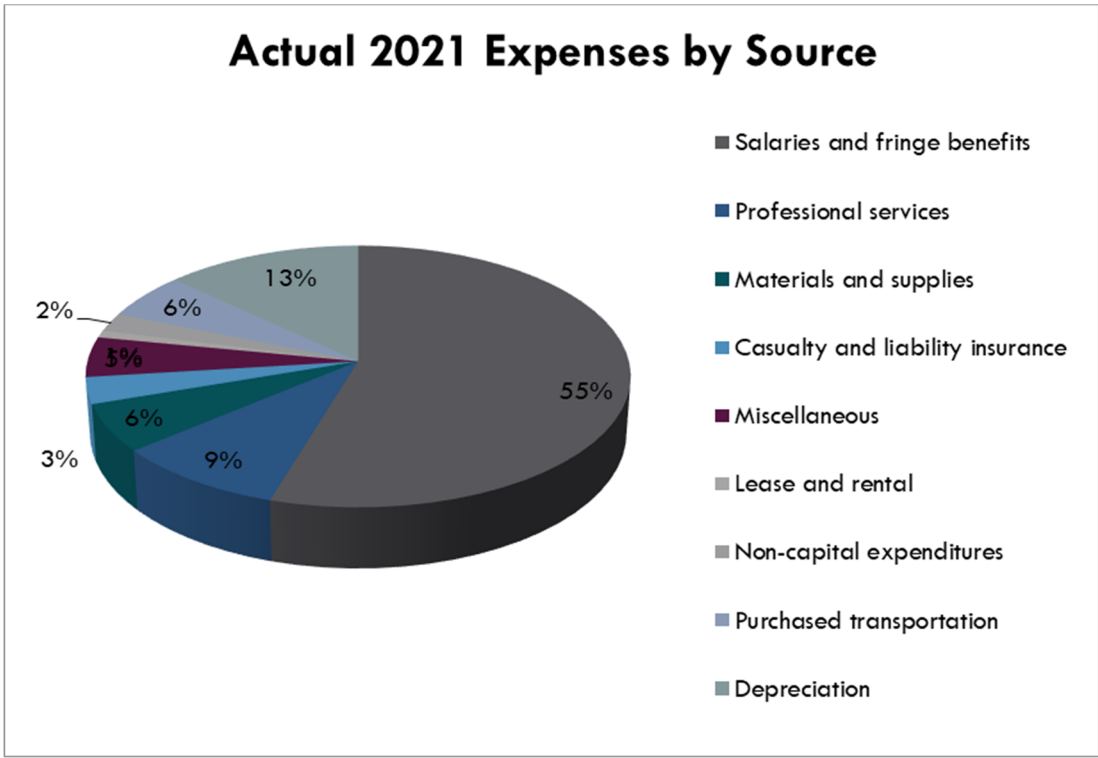
Analysis of Revenues

Total revenues were \$25,400,249 and \$21,224,927 for FY 2021 and FY 2020, respectively. Total revenues increased \$4,175,322 on a net basis, or 19.67%, in comparison to the prior fiscal year. In FY 2021, auxiliary transportation funds increased \$253,496 and federal revenues increased \$8,382,996. These increases were offset by a decrease in directly generated revenues of \$129,466, non-transportation funds of \$187,767 and local funds of \$4,158,490. It should be noted that the collection of fares was suspended for two months of FY 2021 due to the COVID-19 pandemic. The change in revenues was largely due to the following events: 1) The federal revenues increase was due to higher FTA grant drawdown activity directly related to COVID-19 federal funding; 2) Non-transportation revenues decreased due to receiving a lower compressed natural gas rebate than the prior year; 3) Local revenues decreased due to recognizing less of this revenue source than in the previous year. This was offset by COVID-19 federal funding; and 4) Auxiliary transportation revenues increased due to higher advertising revenue earned during FY 2021 as compared to the prior fiscal year.



Analysis of Expenses

Total expenses for FY 2021 were \$21,247,109 and \$21,879,801 for FY 2020. Expenses decreased \$632,692 or - 2.89% in comparison to the prior fiscal year largely due to the following events: 1) Non-capital expenditures decreased \$1,415,905, or -74.53%. FY 2021 had \$483,913 of non-capital expenses and FY 2020 had \$1,899,818 of non-capital expenses. Decreased non-capital expenses offset increased expenses in salaries and fringe benefits, professional services, materials and supplies, utilities, insurance, miscellaneous, lease and purchased transportation. While these expenses were higher than the previous year, they are below the budgeted amount approved by the Valley Regional Transit Board of Directors with the exception of insurance. The increase in insurance premiums was due to nationwide factors and is not a result of local operations.



Capital Asset and Debt Administration

Valley Regional Transit’s investment in capital assets, as of September 30, 2021, was \$32,877,822 (net of accumulated depreciation). This investment in capital assets includes office equipment, building and improvements, vehicles, machinery and equipment, software, land and construction in process. Additional information can be found in Note 3 of the financial statements.

The increase in VRT’s investment in capital assets for the current fiscal year was \$3,696,139, or 12.67%. This net increase was the result of vehicle and equipment purchases as VRT moves towards battery electric buses. The purchase of battery electric buses began in FY 2021 and will continue into FY 2022. The purchase and installation of battery electric bus charging infrastructure was completed in FY 2021.

Capital Assets Net of Accumulated Depreciation

	2021	2020
Construction in Process	\$ 2,319,560	\$ 263,952
Land	1,210,000	1,210,000
Office Equipment	786,141	786,141
Software	2,373,523	2,373,523
Machinery and Equipment	1,443,195	1,129,942
Vehicles	23,744,707	21,668,678
Building and Improvements	29,265,051	27,952,911
 Total Capital Assets	 61,142,177	 55,385,147
Accumulated Depreciation	(28,264,355)	(26,203,464)
 Net Capital Assets	 \$ 32,877,822	 \$ 29,181,683

Debt Obligations

As of September 30, 2021, VRT had \$694,052 of capital leases outstanding related to the leasing of batteries for the electric buses purchased during the current year.

Economic Factors and Next Year's Budgets

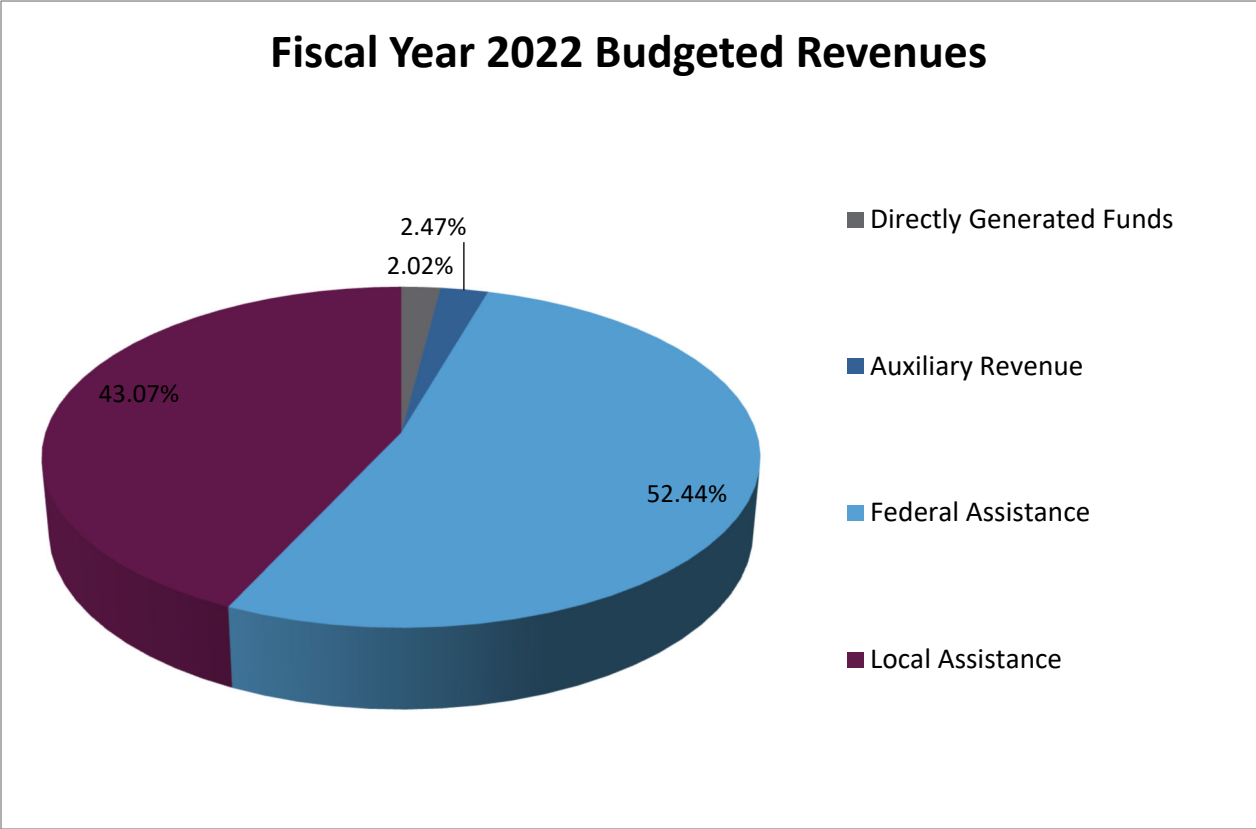
As a component of the annual budget process, VRT prepares a six-year operating budget and a ten-year capital budget. These budget projections assist with the current year budget development by establishing base fundamental assumptions with regard to capital replacement requirements, maintenance demands, changes to wage overhead rates, operating expenses, funding projections, and fare returns.

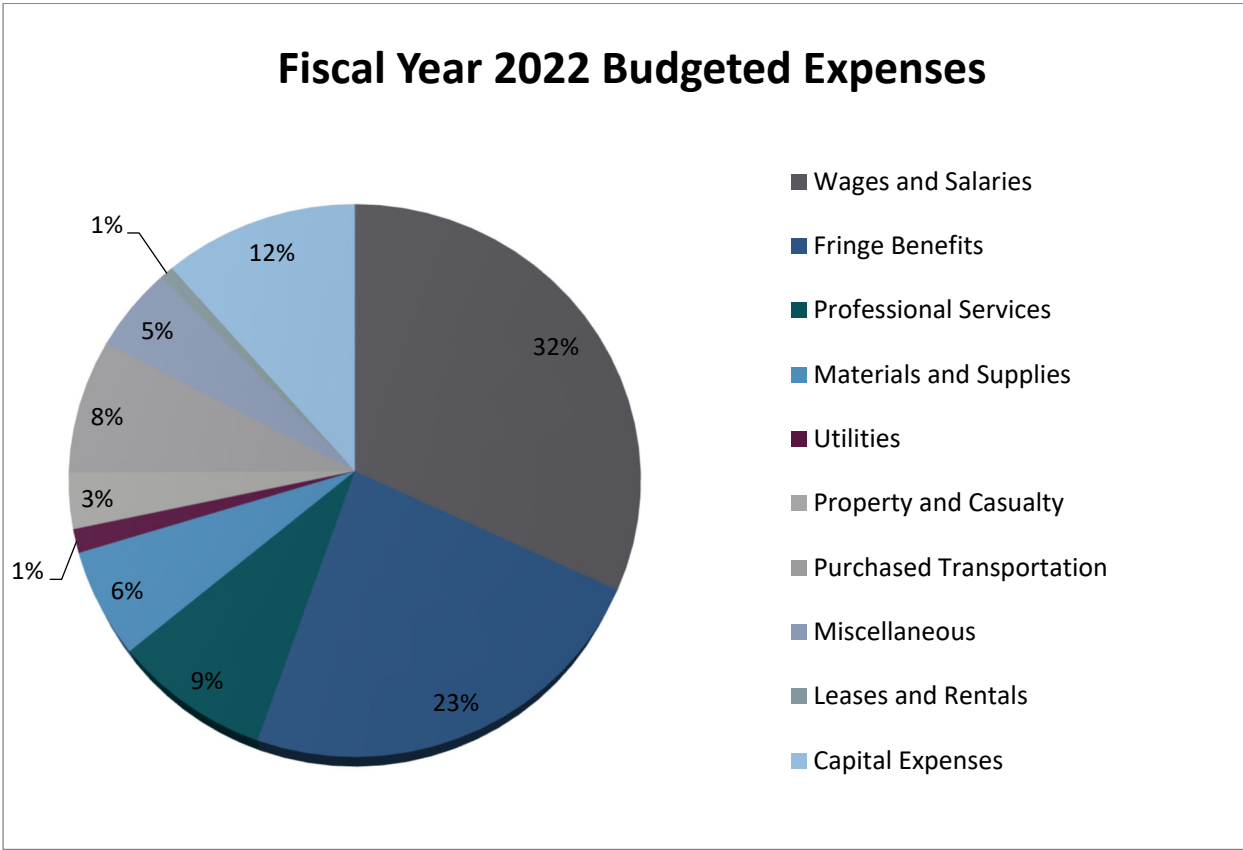
Valley Regional Transit's FY 2022 operating budget decreased by \$271,868, or -1.21%, under the FY 2021 amount. The capital budget for FY 2022 decreased by \$21,185,279, or -88%, under the FY 2021 amount. Decreased operating budget amounts are due to the following: 1) Professional services expenses are budgeted lower in the Canyon County and Regional Systems; 2) Lower utilities expenses in the Ada County and Canyon County Systems; 3) Lower purchased transportation expenses in Community Transportation and finally 4) Lower miscellaneous expenses across most Systems with the most significant reduction in Community Transportation due to the new Computer Aided Dispatching/Automatic Vehicle Location (CAD/AVL) system.

Decreases in capital budget amounts are due to the anticipated completion of vehicle purchases in FY 2021 as VRT moves towards battery electric buses and anticipated capital carryforwards from FY 2021 to the FY 2022 amended budget.

The Fiscal Year 2022 operating budget is \$22,239,791, whereas the capital budget is \$2,860,000.

The following charts show the composition of anticipated revenues and expenses within the 2022 budget.





Fiscal Year 2022 budget issues include:

- A dedicated VRT funding source has not yet been established. Therefore, the Fiscal Year 2022 budget was built upon member contributions, directly generated funds, auxiliary funds, and federal assistance.
- The COVID-19 pandemic will likely continue to have an impact on directly generated funds. The federal government made federal assistance available through the Coronavirus Aid, Relief, and Economic Security Act (CAREs) to assist transit agencies with these types of COVID-19 related impacts.
- VRT conducted an analysis of capital needs based on the adopted Transit Asset Management (TAM) policy and plan adopted in FY 2020. This new process will lead to higher investments over the next five years as a strategy to improve the overall condition rating of VRT's assets.

VRT's audited financial statements are posted to <https://www.valleyregionaltransit.org/about-us/accountability/>.

Valley Regional Transit
Statement of Net Position
September 30, 2021

Assets	
Cash	\$ 1,586,973
Accounts receivable	
Federal receivable	4,663,178
Dues and capital commitments receivable	17,323
Other receivable	85,623
Prepaid expenses	40,741
Inventories	469,593
Net pension asset	43,289
Capital assets	
Construction in process	2,319,560
Land	1,210,000
Office equipment	786,141
Software	2,373,523
Machinery and equipment	1,443,195
Vehicles	23,744,707
Buildings and improvements	29,265,051
Accumulated depreciation	<u>(28,264,355)</u>
Total assets	<u>39,784,542</u>
Deferred Outflows of Resources	
Pension	<u>736,515</u>
Liabilities	
Accounts payable and other accrued expenses	3,024,372
Accrued payroll and benefits	618,304
Advanced revenue	659,892
Capital lease payable	<u>694,052</u>
Total liabilities	<u>4,996,620</u>
Deferred Inflows of Resources	
Pension	<u>1,386,571</u>
Net Position	
Net investment in capital assets	32,183,770
Restricted	43,289
Unrestricted	<u>1,910,807</u>
Total net position	<u>\$ 34,137,866</u>

Valley Regional Transit
Statement of Revenues, Expenses and Change in Net Position
Year Ended September 30, 2021

Operating Revenues	
Directly generated funds	\$ 584,234
Auxiliary transportation funds	780,023
Federal funds	13,742,366
Local funds	<u>3,171,076</u>
Total operating revenues	<u>18,277,699</u>
Operating Expenses	
Salaries and fringe benefits	11,439,325
Professional services	1,939,725
Materials and supplies	1,238,518
Utilities	288,243
Casualty and liability insurance	687,166
Miscellaneous	1,040,576
Lease and rental	188,497
Non-capital expenditures	483,913
Purchased transportation	1,199,511
Depreciation	<u>2,741,635</u>
Total operating expenses	<u>21,247,109</u>
Operating Loss	<u>(2,969,410)</u>
Nonoperating Revenue and (Expense)	
Other income	256,896
Net gain on sale of capital assets	<u>18,271</u>
Total nonoperating revenue, net	<u>275,167</u>
Loss Before Capital Grants	<u>(2,694,243)</u>
Capital Grants	
Federal capital grants	4,778,534
Local capital grants	<u>2,068,849</u>
Total capital grants	<u>6,847,383</u>
Change in Net Position	4,153,140
Net Position, Beginning of Year	<u>29,984,726</u>
Net Position, End of Year	<u><u>\$ 34,137,866</u></u>

Valley Regional Transit
Statement of Cash Flows
Year Ended September 30, 2021

Operating Activities	
Receipts from customers and users	\$ 1,622,133
Receipts from federal government	11,643,875
Receipts from local government	2,508,281
Payments to suppliers	(7,628,326)
Payments to employees	(11,885,732)
	<u>(3,739,769)</u>
Net Cash used for Operating Activities	
Investing Activities	
Capital and Related Financing Activities	
Receipts of capital grants	6,847,383
Purchase of capital assets	(5,110,036)
Proceeds from capital lease agreement	840,000
Proceeds from sale of capital assets	22,527
	<u>2,599,874</u>
Net Cash from Capital and Related Financing Activities	
Net Change in Cash	
	(1,139,895)
Cash, Beginning of Year	
	<u>2,726,868</u>
Cash, End of Year	
	<u>\$ 1,586,973</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities	
Operating loss	\$ (2,969,410)
Adjustment to reconcile operating loss to net cash used for operating activities	
Depreciation	2,741,635
Non transportation revenue	256,896
GASB 68 actuarial pension expense offset	(193,488)
Changes in assets and liabilities	
Accounts receivable	(2,091,881)
Inventories	7,734
Prepaid expenses	44,048
Accounts payable	(613,959)
Accrued expenses	(209,630)
Unearned revenue	(711,714)
	<u>(3,739,769)</u>
Net Cash used for Operating Activities	
Supplemental Disclosure of Non-cash Investing Financing Activities	
Property and equipment purchases included in accounts payable	\$ 1,477,942

Note 1 - Summary of Significant Accounting Policies

The financial statements of Valley Regional Transit (VRT) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting and reporting policies and practices used by VRT are described below.

Reporting Entity

VRT is an enterprise fund created by a vote of Ada and Canyon County voters. VRT is the regional public transportation authority responsible for the short and long-term planning and operations of the regional transit system. The VRT Board of Directors consists of 25 appointed representatives from incorporated cities, counties and highway districts in Ada and Canyon Counties, plus one representative from Capital City Development Corporation, one representative from Meridian Development Corporation, one representative from Idaho Department of Transportation and one representative from Boise State University.

VRT entered into a contract with Transit Management of Ada County (TMAC) and Transit Management of Canyon County (TMCC), wholly-owned subsidiaries of First Transit Corporation, for operation of the Ada County transit system and the Canyon County transit system, respectively. Under this model, TMAC and TMCC are responsible for all operational and personnel decisions for operations. TMAC and TMCC perform all payroll and human resource functions, issue standard purchase orders, approve accounts payable, manage inventory and maintain separate bank accounts for the operations. TMAC and TMCC enter all approved purchase orders and accounts payable into the Fleetnet system, which is the overall financial information system for VRT. VRT generates all accounts payable payments which are approved by the Board of Directors and signed by authorized signatories within VRT. VRT transfers funds to the TMAC and TMCC payroll accounts on a bi-weekly basis to cover incurred personnel expenses. The results of all financial and personnel transactions are reflected in VRT's financial statements. TMAC and TMCC are responsible for remittance and reporting of all employer related payroll expenses.

The financial statements for VRT include all organizations for which VRT is financially accountable, and other organizations for which the nature and significance of their relationships with VRT are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no such organizations included in the current year.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

VRT is accounted for and reported as a proprietary-type enterprise fund, using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred, regardless of the timing of cash flows. The statement of net position and the statement of revenues, expenses, and change in net position display

information about VRT. These statements include the financial activity of the overall reporting entity. These statements report all activities of VRT as a business type activity. Operations are financed from federal grant monies, local contributions, advertising and fares.

When both restricted and unrestricted resources are available for use, it is VRT's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of VRT are user charges to customers, local contributions, dues, and operating grants. Operating expenses for VRT include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Accounts Receivable

Receivables are due from city and federal governments for capital commitment contributions and federal grants. Based on experience, no allowance for uncollectible accounts has been established as of September 30, 2021. It is reasonably possible that this estimate will change in the near future of the date of the financial statements.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the financial statements.

Inventories

Inventories are stated at average cost (first-in, first-out). Inventories consist of spare parts and equipment held for consumption. The cost is recorded as an expense at the time individual inventory items are used.

Capital Assets

The policy of VRT is to capitalize all property, such as land, buildings, and equipment with a cost equal to or greater than \$5,000, and a useful life of one or more years. All capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend an asset's life is not capitalized.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the results of operations in the period of disposal.

The estimated useful lives of fixed assets are as follows:

Office equipment	3-15 years
Software	3 years
Machinery and equipment	5-15 years
Vehicles	3-15 years
Buildings and improvements	10-45 years

Pensions

For purposes of measuring the net pension liability (asset) and pension expense/(revenue offset), information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. VRT has one item that qualifies for reporting in this category: the deferred outflows related to the net pension liability (asset) reported on the statement of net position. The deferred net pension results from changes in assumptions or other inputs, changes in VRT's proportion and VRT's contributions and proportionate share of contributions, and the net difference between projected and actual earnings on pension plan investments in the actuarial calculation of VRT's net pension liability.

The statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. VRT has one item that qualifies for reporting in this category: the deferred inflows related to the net pension liability (asset). The deferred net pension results from the differences between the expected and actual experience and the net difference between projected and actual earnings on pension plan investments derived from the actuarial calculation of VRT's net pension liability (asset).

Accrued Compensated Absences

Accumulated unpaid vacation and compensatory time amounts are accrued and charged to expenses when earned. Terminated employees are paid out their unused vacation without stipulation except for TMCC terminated employees, who are not paid for unused vacation unless they have 10 years of service or are over 62 years of age at the date of termination.

Sick pay amounts are charged to expenses when used. Terminated employees are not paid for unused sick time unless they are over 60 years of age at the date of termination (VRT employee) or unless they have 15 years of service or are over 60 years of age at the date of termination (TMAC employee), in which case they are eligible to receive 50% of their sick pay balance. Terminated TMCC employees are not paid for unused sick time.

Advanced Revenue

Valley Regional Transit receives some funds from local government and private partners that are earmarked for specific projects. Until expenses specific to these projects occur, the earmarked funds are recognized as advanced revenue.

Net Position

VRT classifies net position, revenues and other support based on the existence or absence of grantor-imposed restrictions. Accordingly, net position of VRT and changes therein are classified and reported as follows:

Net Investment in Capital Assets – This represents VRT’s total investment in capital assets, net of related debt. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this section.

Restricted Net Position – This represents the amount related to the net pension asset, which is restricted for a specific use/purpose by law.

Unrestricted Net Position – Net position not subject to grantor-imposed stipulations or received with restrictions that were satisfied in the same period.

Risk Management

VRT is exposed to various risks of loss related to theft of, damage to, or destruction of assets. VRT participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for liability insurance. VRT’s exposure to loss from its participation in ICRMP is limited only to the extent of their deductible.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net position and disclosures regarding contingent assets and liabilities. Actual results could differ from those estimates.

Note 2 - Cash

Financial instruments which potentially subject VRT to concentration of credit risk consist principally of cash and sweep accounts. VRT maintains its cash and sweep accounts in one commercial bank.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, VRT will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All deposits greater than the FDIC insurance coverage were subject to custodial credit risk. VRT has a written policy limiting custodial credit risk through preauthorization of financial institutions. Accounts at the commercial bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank.

A summary of the total insured and uninsured bank balances follows:

Total cash in bank	\$ 1,609,653
Portion insured by FDIC	<u>(250,000)</u>
Uninsured and uncollateralized cash	<u><u>\$ 1,359,653</u></u>

Note 3 - Capital Assets

The following presents capital asset activity for the year ended September 30, 2021.

	Balance October 1, 2020	Additions	Deletions	Transfers	Balance September 30, 2021
Non-depreciable					
Construction in process	\$ 263,952	\$ 5,559,791	\$ -	\$ (3,504,183)	\$ 2,319,560
Land	1,210,000	-	-	-	1,210,000
Depreciable					
Office equipment	786,141	-	-	-	786,141
Software	2,373,523	-	-	-	2,373,523
Machinery and equipment	1,129,942	8,647	-	304,606	1,443,195
Vehicles	21,668,678	873,593	(299,579)	1,502,015	23,744,707
Building and improvements	27,952,911	-	(385,422)	1,697,562	29,265,051
Total capital assets	55,385,147	6,442,031	(685,001)	-	61,142,177
Accumulated depreciation	(26,203,464)	(2,741,635)	680,744	-	(28,264,355)
Net capital assets	\$ 29,181,683	\$ 3,700,396	\$ (4,257)	\$ -	\$ 32,877,822

Note 4 - Defined Contribution Plan

TMAC provides for a non-discretionary 401(k) contribution of 7.5% of eligible compensation to TMAC eligible employees. To participate, the TMAC employee must have completed six months of continuous service. The 401(k) plan allows employee deferred pre-tax and Roth contributions. The maximum contribution amount to the plan is 100% of compensation less any mandatory income and payroll tax withholding or the IRS prescribed amount, whichever is less.

TMCC provides a 401(k) plan for all ATU Bargaining Unit employees who have completed three months of service. Those eligible can contribute to a pre-tax and a Roth contribution up to 100% of compensation less any mandatory income and payroll tax withholding or the IRS prescribed amount, whichever is less.

TMCC will offer matching contributions of \$0.50 for each \$1.00 an employee contributes, up to a maximum of 50% of the first 6% of the employee's pay.

During the year ended September 30, 2021, VRT reimbursed TMAC and TMCC for contributions of \$340,218 to the plans that are managed by Quorum Financial.

Note 5 - Defined Benefit Pension Plan

Plan Description

Valley Regional Transit contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature.

The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees. As of June 30, 2021, it was 7.16% for general employees. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees as of June 30, 2021. VRT's contributions were \$251,757 for the year ended September 30, 2021.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, VRT reported an asset for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. VRT's proportion of the net pension asset was based on VRT's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2021, VRT's proportion was .0005481181 percent, an increase from the 2020 proportion of 0.000504707.

For the year ended September 30, 2021, VRT recognized pension expense offset of \$15,007. At September 30, 2021, VRT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,781	\$ 25,163
Changes in assumptions or other inputs	496,905	-
Net difference between projected and actual earnings on pension plan investments	-	1,359,682
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	117,094	1,726
VRT's contributions subsequent to the measurement date	58,735	-
Total	<u>\$ 736,515</u>	<u>\$ 1,386,571</u>

The \$58,735 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending September 30, 2022.

The amortization period is based on the remaining expected service lives of all employees that are provided with pensions through the System determined at the beginning of the measurement period. The amortization of the net difference between projected and actual investment earnings on pension plan investments is amortized over a closed 5-year period inclusive of this fiscal year. The amortization period was calculated at 4.6 at the beginning of the measurement period ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Years Ended September 30:	
2022	\$ (156,636)
2023	(136,718)
2024	(123,367)
2025	(292,070)
	\$ (708,791)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The following are the actuarial assumptions and the entry age normal cost method, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases including inflation	3.05 percent
Investment rate of return-net of investment fees	6.35 percent, net of investment expense
Cost of Living (COLA) adjustments	1.00 percent

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries. These rates were adopted for the valuation dated July 1, 2021.

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries - Males	Pub-2010 General Tables, increased 11%.
General Employees and All Beneficiaries - Females	Pub-2010 General Tables, increased 21%.
Teachers - Males	Pub-2010 Teacher Tables, increased 12%.
Teachers - Females	Pub-2010 Teacher Tables, increased 21%.
Fire & Police - Males	Pub-2010 Safety Tables, increased 21%.
Fire & Police - Females	Pub-2010 Safety Tables, increased 26%.
Disabled Members - Males	Pub-2010 Disabled Tables, increased 38%.
Disabled Members - Females	Pub-2010 Disabled Tables, increased 36%.

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Asset as of June 30, 2021 is based on the results of an actuarial valuation date July 1, 2021.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of PERSI's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Capital Market Assumptions from Callen 2021

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	1.80%	-0.20%
Broad US Equities	55.00%	8.00%	6.00%
Developed Foreign Equities	15.00%	8.25%	6.25%
Assumed Inflation - Mean		2.00%	2.00%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.18%	4.18%
Portfolio Standard Deviation		12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return		5.55%	3.46%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investments Expenses		5.15%	3.06%

Investment Policy Assumptions from PERSI November 2019

Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.14%
Portfolio Standard Deviation	14.16%

Economic/Demographic Assumptions from Milliman 2021

Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	2.30%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	6.35%

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for administrative expense.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension asset of PERSI employer's calculated using the discount rate of 6.35%, as well as what the Employer's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.35%) or 1-percentage point higher (7.35%) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	\$ 1,504,826	\$ (43,289)	\$ (1,312,310)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the Pension Plan

At September 30, 2021, VRT had reported payables to the defined benefit pension plan of \$3,758 for legally required employer contributions, \$2,254 for legally required employee contributions, and \$1,097 for the PERSI Choice 401(k) of which had been withheld from employee wages but not yet remitted to PERSI.

Defined Contribution – PERSI Choice 401(k)

Employees of VRT participating in the PERSI Base Plan may enroll in the PERSI Choice 401(k) defined contribution retirement savings plan available to active members. Participation is voluntary. The PERSI Choice 401(k) is intended to be a government plan within the meaning of Code Section 414 (d) and within the meaning of section 3(32) of the Employee Retirement Income Security Act (ERISA) and as such, is exempt from provisions of Title I ERISA. VRT does not match participants' contributions in the PERSI Choice 401(k). A participant shall be 100% vested in their individual account at all times. The authority of the benefit and contribution terms are established and amended by the PERSI Board. VRT recognized \$75,732 of contributions to the PERSI Choice 401(k) as benefits expense during the year ended September 30, 2021.

Note 6 - Lease Commitments

Operating lease commitments

VRT assumed lease payments for the vehicle maintenance facility renewed effective October 1, 2015 and expires September 30, 2045. Monthly lease payments are \$8,710 beginning October 1, 2021. Subsequent to October 1, 2021, base rent payments increase annually based on the Consumer Price Index.

VRT entered a lease agreement effective September 1, 2018, for the use of a facility in the operations of the Boise Bike Share Program. The lease was a three-year lease that has been extended for an additional 12 months beginning on September 1, 2021, with monthly payments of \$2,900. The use of the facility has been expanded to include use by the Programs and Supports division of VRT.

In October 2017, VRT entered into a five year lease agreement with Day Wireless for radio repeater use. The annual payments are \$9,360.

In September 2018, VRT entered into a 39 month lease agreement for copiers with a monthly payment of \$1,917.

Minimum operating lease payments are as follows:

2022		\$ 145,781
2023		107,656
2024		110,886
2025		114,213
2026		117,639
Thereafter		<u>253,614</u>
		<u><u>\$ 849,788</u></u>

Total rent expense was \$188,497 for the year ended September 30, 2021.

Capital lease commitments

VRT entered two lease agreements with Proterra for the purpose of leasing batteries for battery electric buses. A battery lease for four, forty-foot buses commenced on June 24, 2021 and is scheduled to expire June 23, 2033, with monthly payments of \$5,833 for the two batteries received prior to year-end. The lease payments will increase to \$11,667 upon receipt of the remaining batteries.

Subsequent to year end, a battery lease for eight, thirty-five-foot buses commenced on November 29, 2021 and is scheduled to expire November 28, 2033, with monthly payments of \$23,333 per month.

Delivery of buses has been delayed due to COVID-19 and although both leases have been executed, lease payments will not begin until buses are delivered to VRT and put into service.

2022	\$ 70,000
2023	70,000
2024	70,000
2025	70,000
2026	70,000
Thereafter	490,000
Less amount related to interest	<u>(145,948)</u>
Total capital lease payable	<u><u>\$ 694,052</u></u>

The net book value of assets acquired under capital lease agreements is as follows:

Book value of assets acquired under capital lease agreements	\$ 694,052
Less accumulated depreciation	<u>(10,307)</u>
Net book value of assets acquired under capital lease agreements	<u><u>\$ 683,745</u></u>

Note 7 - Concentrations

Approximately 73% of VRT's total revenue for the year ended September 30, 2021, was derived from contracts with the federal government, and 66% of the local revenue came from the City of Boise.

Note 8 - Self-Insurance

Transit Management of Ada County (TMAC) established a partially self-funded health plan for its employees. The employees are responsible for the first \$250 of their individual deductible and \$500 of their family deductible. TMAC is responsible for the remainder of the deductible up to the \$1,575 individual out-of-pocket limit and \$3,150 family out-of-pocket limit. The employee is responsible for all further claims not covered by the insurance. The health care plan is administered by Blue Cross of Idaho and they are responsible for the approval, processing and payment of claims.

At September 30, 2021, VRT has reported a liability of \$84,624, which represents amounts payable by VRT towards the employee's deductible for claims incurred as of the end of the year but not paid by VRT as of that date.

Note 9 - Related Party

The Board of VRT is made up of representatives from member organizations that pay dues to VRT as a part of the local match requirement on federal grants.



Required Supplementary Information
September 30, 2021

Valley Regional Transit

Valley Regional Transit

Schedule of Employer's Share of Net Pension Liability (Asset) and Employer Contributions Year Ended September 30, 2021

Schedule of Employer's Share of Net Pension Liability (Asset)

PERSI – Base Plan

Last 10 – Fiscal Years *

	2015	2016	2017	2018	2019	2020	2021
Employer's portion of the net pension liability (asset)	0.000439740	0.000443322	0.000445219	0.000438584	0.00045406	0.000504707	0.0005481181
Employer's proportionate share of the net pension liability (asset)	\$ 579,066	\$ 898,682	\$ 699,808	\$ 646,919	\$ 518,297	\$ 1,171,996	\$ (43,289)
Employer's covered payroll	\$ 1,231,700	\$ 1,296,576	\$ 1,425,209	\$ 1,411,082	\$ 1,542,171	\$ 1,800,522	\$ 2,045,507
Employer's proportional share of the net pension liability (asset) as a percentage of its covered payroll	47.01%	69.31%	49.10%	45.85%	33.61%	65.09%	-2.12%
Plan fiduciary net position as a percentage of the total pension liability (asset)	91.38%	87.26%	90.68%	91.69%	93.79%	88.22%	100.36%

Data reported is measured at the measurement date which is as of June 30 of each year.

Schedule of Employer Contributions

PERSI – Base Plan

Last 10 – Fiscal Years *

	2015	2016	2017	2018	2019	2020	2021
Statutorily required contribution	\$ 138,531	\$ 152,675	\$ 150,283	\$ 162,701	\$ 182,493	\$ 219,740	\$ 251,757
Contributions in relation to the statutorily required contribution	\$ (140,279)	\$ (150,744)	\$ (145,075)	\$ (170,757)	\$ (189,393)	\$ (233,612)	\$ (276,205)
Contribution (deficiency) excess	\$ 1,748	\$ (1,931)	\$ (5,208)	\$ 8,056	\$ 6,899	\$ 13,872	\$ 24,447
Employer's covered payroll	\$ 1,223,775	\$ 1,348,714	\$ 1,350,824	\$ 1,437,288	\$ 1,594,325	\$ 1,840,370	\$ 2,108,521
Contributions as a percentage of covered payroll	11.46%	11.18%	10.74%	11.88%	11.88%	12.69%	13.10%

Data reported is measured as of September 30 of each year.

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, Valley Regional Transit will present information for those years for which information is available.



Federal Awards Reports in Accordance with the Uniform
Guidance

September 30, 2021

Valley Regional Transit

Valley Regional Transit
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal/Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass- Through Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Transportation				
Federal Transit Cluster				
Federal Transit Formula Grants	20.507	N/A	\$ 3,660,143	\$ 240,715
COVID-19 - Federal Transit Formula Grants	20.507		11,790,189	81,965
Bus and Bus Facilities Formula Program	20.526	N/A	<u>276,930</u>	<u>-</u>
Total Federal Transit Cluster			<u>15,727,262</u>	<u>322,680</u>
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	572,249	-
Total Transit Services Programs Cluster			<u>572,249</u>	<u>-</u>
Passed through from Idaho Department of Transportation				
Highway Planning and Construction	20.205	N/A	<u>197,514</u>	<u>-</u>
Total U.S. Department of Transportation			<u>\$ 16,497,025</u>	<u>\$ 322,680</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Valley Regional Transit (VRT) under programs of the federal government for the year ended September 30, 2021. The information is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of VRT, it is not intended to and does not present the financial position, changes in net position, or cash flows of VRT.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the cash basis of accounting, including amounts passed through to subrecipients. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

VRT has not elected to use the 10% de minimis cost rate.



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
Valley Regional Transit
Meridian, Idaho

We have audited, 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, the financial statements of Valley Regional Transit (VRT) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise VRT’s basic financial statements and have issued our report thereon dated January 18, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered VRT’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 VRT’s internal controls. Accordingly, we do not express an opinion on the effectiveness of VRT’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 VRT'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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
January 18, 2022



Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Valley Regional Transit
Meridian, Idaho

Report on Compliance for the Major Federal Program

We have audited Valley Regional Transit’s (VRT) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on VRT’s major federal program for the year ended September 30, 2021. VRT’s major federal program is 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 terms and conditions of its federal awards applicable to its federal program.

Auditor’s Responsibility

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

Opinion on Each Major Federal Program

In our opinion, VRT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect its major federal program for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of VRT 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 VRT'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 VRT'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 and significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

VRT's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. VRT's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Boise, Idaho
January 18, 2022

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
<u>Federal Transit Cluster</u>	
Federal Transit – Formual Grants (Urbanized Area Formula Program)	20.507
Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)	20.526
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

**2021-001 Director Program - Department of Transportation
Federal Financial Assistance Listing #'s: 20.507, 20.526
Federal Transit Cluster
Subrecipient Monitoring
Material Weakness in Internal Control over Compliance**

Criteria: 2 CFR section 200.331 and 200.332 requires pass-through entities to evaluate risk of each subrecipient and monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals.

Condition: During our testing over subrecipient monitoring it was noted that out of the 2 subrecipients Valley Regional Transit has, monitoring and risk assessments were not performed during the current program year for either subrecipient.

Cause: During the current year, Valley Regional Transit had employee turnover in addition to transitioning into a virtual work environment that caused the risk assessment and monitoring to not take place during the current program year.

Effect: No subrecipient monitoring took place during the year.

Questioned Costs: None reported

Context/Sampling: 2 out of 2 subrecipients were selected for subrecipient monitoring testing.

Repeat Finding from Prior Year: No

Recommendation: Management of Valley Regional Transit should implement a process for completing monitoring and risk assessments for each of their subrecipients in such a manner that the monitoring may occur in person or in a virtual environment.

Views of Responsible Officials: Management agrees with the finding.