

STAR TRANSIT

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended August 31, 2019

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YELDELL, WILSON, WOOD & REEVE, P.C

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
STAR Transit
Terrell, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of STAR Transit, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise STAR Transit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 respective financial position of STAR Transit, as of August 31, 2019, and the respective changes in financial position and 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 and net pension liability information on pages 4-7 and 24-25 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 STAR Transit's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic 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 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 January 29, 2020, on our consideration of STAR Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 STAR Transit'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 STAR Transit's internal control over financial reporting and compliance.



Yeldell, Wilson, Wood & Reeve, P.C.
Certified Public Accountants

Ennis, Texas
January 29, 2020

STAR TRANSIT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of STAR Transit, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2019.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$4,385,983 (net position). Of this amount, \$556,033 (unrestricted net position) may be used to meet the government's ongoing obligations to customers and creditors.
- The District's total net position decreased by \$1,376,294.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements are comprised of two components: 1) fund financial statements and 2) notes to the financial statements.

Basic Financial Statements. The financial statements are designed to provide readers with an overview of the District's finances, in a manner similar to private-sector businesses, using the accrual basis of accounting.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Change in Net Position shows the revenue sources and expenses and reflects the net change in position for the fiscal year. This statement can be used to determine whether the District has recovered all of its actual and projected costs through passenger fees and other charges.

The Statement of Cash Flows provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities.

The basic financial statements can be found on pages 8-10 of this report.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 11-22 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 23-25 of this report.

FINANCIAL ANALYSIS OF THE ENTITY

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,385,983 as of August 31, 2019.

STAR TRANSIT'S NET POSITION

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 1,015,210	\$ 1,140,705
Capital assets	3,818,614	5,024,457
Total assets	<u>4,833,824</u>	<u>6,165,162</u>
Deferred Outflows of Resources	<u>72,827</u>	<u>65,401</u>
Other liabilities	520,668	468,286
Total liabilities	<u>520,668</u>	<u>468,286</u>
Net position:		
Net investment in capital assets	3,818,614	5,024,457
Restricted	11,336	11,336
Unrestricted	556,033	726,484
Total net position	<u><u>\$ 4,385,983</u></u>	<u><u>\$ 5,762,277</u></u>

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

A large portion of the District's net position (87%) reflects its investments in capital assets (e.g., building and improvements, office furniture and equipment, and vehicles). The District uses these capital assets to provide service to customers; consequently these assets are not available for future spending.

An additional portion of the District's net position (0.3%) represents resources that are subject to external restriction on how they may be used.

The remaining balance of unrestricted net position, \$556,033, may be used to meet the District's ongoing obligation to customers and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position.

The following table provides a summary of the District's operations. The District's operations decreased net position by \$1,376,294 in the current year.

STAR TRANSIT'S CHANGE IN NET POSITION

	<u>2019</u>	<u>2018</u>
Revenues:		
Operating	\$ 5,228,249	\$ 5,980,779
Total revenues	<u>5,228,249</u>	<u>5,980,779</u>
Expenses:		
Depreciation and amortization	1,231,195	1,244,382
Other operating	5,323,740	5,994,248
Nonoperating	49,608	1,212
Total expenses	<u>6,604,543</u>	<u>7,239,842</u>
Income (loss) before capital contributions	(1,376,294)	(1,259,063)
Capital contributions	<u>-</u>	<u>341,710</u>
Changes in net position	(1,376,294)	(917,353)
Net position - beginning	<u>5,762,277</u>	<u>6,679,630</u>
Net position - ending	<u>\$ 4,385,983</u>	<u>\$ 5,762,277</u>

CAPITAL ASSETS

The District's investment in capital assets as of August 31, 2019 amounts to \$3,818,614 (net of accumulated depreciation).

Major capital asset events during the current fiscal year included the following:

- Addition of approximately \$99,000 of construction in progress.
- Disposal of approximately \$441,000 of vehicles.

**Capital Assets at Year-End
Net of Accumulated Depreciation**

	<u>2019</u>	<u>2018</u>
Construction in progress	\$ 114,195	\$ 14,819
Buildings and improvements	1,573,198	1,622,455
Office furniture and equipment	94,569	169,361
Vehicles	2,036,652	3,217,822
Total	<u>\$ 3,818,614</u>	<u>\$ 5,024,457</u>

Additional information on the District's capital assets can be found in note 2.B on page 15 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the 2020 budget, operating revenues are budgeted to increase by 1% from the 2019 budget year with contracted revenues and operating grants making up about 97% of budgeted revenues. The District's rates for contracted services and grant awards are reviewed by staff and the Board of Directors on an annual basis.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 500 Industrial Blvd, Terrell, Texas 75160.

STAR TRANSIT
STATEMENT OF NET POSITION
August 31, 2019

ASSETS

Current assets:		
Cash	\$	116,363
Receivables (net of allowance for uncollectibles)		10,420
Due from other governments		861,284
Prepaid items		75
Total current assets		<u>988,142</u>
Noncurrent assets:		
Net pension asset		27,068
Capital assets:		
Non-depreciable		114,195
Depreciable (net of accumulated depreciation)		<u>3,704,419</u>
Total noncurrent assets		<u>3,845,682</u>
Total assets		<u>4,833,824</u>

DEFERRED OUTFLOWS OF RESOURCES

Changes in actuarial assumptions		180
Pension contributions after measurement date		39,984
Differences in projected and actual earnings on pension assets		24,858
Difference in expected and actual pension experience		7,805
Total deferred outflows of resources		<u>72,827</u>

LIABILITIES

Current liabilities:		
Accounts payable		256,690
Accrued expenses		263,978
Total current liabilities		<u>520,668</u>
Total liabilities		<u>520,668</u>

NET POSITION

Net investment in capital assets		3,818,614
Restricted for:		
Capital transit project		11,336
Unrestricted		556,033
Total net position		<u>\$ 4,385,983</u>

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

STAR TRANSIT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
For the Year Ended August 31, 2019

OPERATING REVENUES

Passenger revenues	\$ 164,600
Contracted revenues	545,294
Intergovernmental revenues	1,056,218
Operating grants	3,448,655
Other	13,482
Total operating revenues	<u>5,228,249</u>

OPERATING EXPENSES

Payroll	2,987,654
Payroll taxes	227,352
Employee benefits	404,615
Insurance	153,335
Advertising and marketing	40,002
Community programs	2,391
Depreciation	1,231,195
Fuel and oil	597,540
IT license and maintenance	134,736
Legal and professional fees	27,451
Office expense	42,827
Other	58,941
Pre-employment, physical and drug testing	12,787
Telephone and communication	227,098
Training and education	5,470
Vehicle repairs and maintenance	401,541
Total operating expenses	<u>6,554,935</u>

OPERATING INCOME (LOSS) (1,326,686)

NONOPERATING REVENUES (EXPENSES)

Loss on disposal of capital assets	(49,551)
Interest	(57)
Total nonoperating revenues (expenses)	<u>(49,608)</u>

CHANGE IN NET POSITION (1,376,294)

TOTAL NET POSITION, BEGINNING 5,762,277

TOTAL NET POSITION, ENDING \$ 4,385,983

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

STAR TRANSIT
STATEMENT OF CASH FLOWS
For the Year Ended August 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Received from providing services	\$ 1,858,911
Received from operating grants	3,313,045
Payments to suppliers	(1,663,428)
Payments to employees	<u>(3,622,786)</u>
Net cash provided by (used for) operating activities	<u>(114,258)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Proceeds from note payable	55,000
Interest paid on note payable	(57)
Principal paid on note payable	<u>(55,000)</u>
Net cash provided by (used for) noncapital financing activities	<u>(57)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(99,376)
Proceeds from the disposal of capital assets	<u>24,473</u>
Net cash provided by (used for) capital and related financing activities	<u>(74,903)</u>

NET DECREASE IN CASH (189,218)

Cash September 1 305,581

Cash August 31 \$ 116,363

Reconciliation of operating income to net cash provided by (used for) operating activities:

Operating income (loss)	\$ (1,326,686)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and amortization	1,231,195
(Increase) decrease in accounts receivable	79,317
(Increase) decrease in due from other governments	(135,610)
(Increase) decrease in prepaid items	300
(Increase) decrease in net pension asset	(7,730)
(Increase) decrease in pension related deferred outflows	(7,426)
Increase (decrease) in accounts payable	72,278
Increase (decrease) in payroll taxes payable	(507)
Increase (decrease) in accrued expenses	<u>(19,389)</u>
Total adjustments	1,212,428
Net cash provided by (used for) operating activities	<u>\$ (114,258)</u>

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

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

STAR Transit (the "District") was established in 1988 to provide public transportation. The District became a political subdivision in 2002 created under the Interlocal Corporation Act of 1971, operating as a rural transit District, as set forth in Chapter 458 of the Texas Transportation Code. The basic operations of the District are financed primarily by Federal Transit Administration and Texas Department of Transportation funds. Approximately 65.96% of the District's operating revenues came from federal and state grants.

Accounting principles generally accepted in the United States of America require that this financial statement present the District (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The District does not have any component units that meet these criteria.

As a political subdivision of the State of Texas, the District is exempt from federal income taxes, state and local sales and use taxes, and local real and personal property taxes. The District has no taxing authority.

B. Measurement focus, basis of accounting, and basis of presentation

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Government entities included: All activities over which the Board of Directors exercises control and has fiscal responsibility and control are included in the financial statements.

Fund accounting: The accounts of the District are organized on the basis of funds. The District has a single fund - the transportation fund. It is an enterprise fund, which is a proprietary fund type. An enterprise fund is used to account for operations (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees charged from the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation and debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation and debt service).

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement focus, basis of accounting, and basis of presentation (continued)

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred outflows of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets and unrestricted components.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operation. The principal operating revenues are charges to customers for transportation services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

C. Assets, deferred outflows of resources, liabilities, and net position

1. Cash

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

2. Investments

Investments maturing more than three months from the date acquired are classified as investments held to maturity. Investments for the District are reported at fair value.

3. Receivables

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of sixty days typically comprise the trade accounts receivable allowance for uncollectibles. No allowance has been recorded as management considers all receivables collectible.

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, deferred outflows of resources, liabilities, and net position (continued)

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings and improvements	40-45
Office furniture and equipment	3-7
Vehicles	3-10

6. Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to changes in actuarial assumptions of the District's defined benefit pension plan, (2) a deferred outflow of resources for contributions made to the District's defined benefit plan between the measurement date of the net pension liabilities from that plan and the end of the District's fiscal year, (3) deferred outflow of resources related to the differences between the projected and actual investment earnings for the District's defined benefit pension plan, and (4) a deferred outflow of resources related to the difference between expected and actual pension experience data used by the actuary. Deferred outflows for changes in actuarial assumptions is attributed to pension expense over a total of 5 years. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. Deferred outflows for differences in expected and actual pension experience is attributed to pension expense of a total of 6 years.

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, deferred outflows of resources, liabilities, and net position (continued)

7. *Compensated absences*

Employees are granted vacation leave based on hours accrued. Vacation leave earned within a calendar year carries over into the next year. Vacation leave begins to accrue at the time of hire. Vacation leave is accrued when earned.

8. *Net position*

Net position comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES

A. Deposits

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end, the District's bank balance was \$136,144. Of the bank balance, \$136,144 was covered by federal depository insurance and collateral pledged in the District's name. The collateral was held in the District's name by the safekeeping department of the Federal Home Loan Bank, which acts as the pledging bank's agent and had a fair value of approximately \$578,000.

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES (continued)

B. Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 14,819	\$ 99,376	\$ -	\$ 114,195
Total capital assets not being depreciated	<u>14,819</u>	<u>99,376</u>	<u>-</u>	<u>114,195</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,008,326	\$ -	\$ -	\$ 2,008,326
Office furniture and equipment	1,043,363	-	-	1,043,363
Vehicles	6,426,617	-	(441,473)	5,985,144
Total capital assets being depreciated	<u>9,478,306</u>	<u>-</u>	<u>(441,473)</u>	<u>9,036,833</u>
Less accumulated depreciation for:				
Buildings and improvements	(385,871)	(49,257)	-	(435,128)
Office furniture and equipment	(874,002)	(74,792)	-	(948,794)
Vehicles	(3,208,795)	(1,107,145)	367,448	(3,948,492)
Total accumulated depreciation	<u>(4,468,668)</u>	<u>(1,231,194)</u>	<u>367,448</u>	<u>(5,332,414)</u>
Total capital assets being depreciated, net	<u>5,009,638</u>	<u>(1,231,194)</u>	<u>(74,025)</u>	<u>3,704,419</u>
Capital assets, net	<u>\$ 5,024,457</u>	<u>\$ (1,131,818)</u>	<u>\$ (74,025)</u>	<u>\$ 3,818,614</u>

C. Construction commitments

The District has an active construction project for improvements as of August 31, 2019. At year end, the District's commitments with contractors are as follows:

<u>Project:</u>	<u>Commitment</u>	
	<u>Spent-to-date</u>	<u>Remaining</u>
Improvements	<u>\$ 114,195</u>	<u>\$ 430,850</u>

D. Other significant commitments

The District leases a tract of land from a local government for a storage facility for its transportation vehicles that expires on December 31, 2045. The lease requires escalating annual payments from \$12,022 to \$20,038. The total lease payments for the year ended August 31, 2019 was \$18,034. Future minimum payments due under the agreement are shown below:

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES (continued)

D. Other significant commitments (continued)

<u>Year Ending August 31</u>	<u>Annual Payment</u>
2020	\$ 20,038
2021	20,038
2022	20,038
2023	20,038
2024	20,038
2025-2029	100,188
2030-2034	100,188
2035-2039	100,188
2040-2044	100,188
2045	20,038
	<u>\$ 520,980</u>

E. Economic dependence

The District's primary source of revenues and contributions is from U.S. Department of Transportation and Texas Department of Transportation funds. Due to the concentration of support from federal and state funds, the District is vulnerable to the risk of future program cuts or funding delays. Funding delays or even program cuts due to budget cuts can have a severe impact on the District's ability to continue to provide transportation services at the current level.

F. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not materially exceeded this commercial coverage in any of the past three fiscal years.

G. Short-term liabilities

Note payable

The District has an unsecured \$200,000 revolving line of credit with a bank to help meet working capital needs while waiting for grant reimbursements. Interest is due monthly at a variable rate equal to WSJ Prime rate plus 2.00 percent, with all principal due on March 26, 2020. At August 31, 2019, there was no outstanding balance on this line of credit.

The following is a summary of changes in the note payable for the year ended August 31, 2019:

Balance, September 1, 2018	\$ -
Increases	55,000
Decreases	<u>(55,000)</u>
Balance, August 31, 2019	<u>\$ -</u>

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 3 - DEFINED BENEFIT PENSION PLANS

A. Plan description

The Texas County & District Retirement System (TCDRS) is a statewide, agent multiple-employer, public-employee retirement system. The system serves 780 participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCERS Act. Because of that, the District has the flexibility and local control to adjust benefits and pay for those benefits based on its needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TCERS issues a publicly available comprehensive annual financial report that can be obtained at www.tcders.org.

All eligible employees (except temporary staff) of the District must be enrolled in the plan.

B. Benefits provided

A brief description of benefit terms:

1. All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
2. The plan provides retirement, disability and survivor benefits.
3. TCERS is a savings-based plan. For the district's plan, 4.00% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7.00% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 100%) and is then converted to an annuity.
4. There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
5. Benefit terms are established under the TCERS Act. They may be amended as of January 1 of each year, but must remain in conformity with the Act.

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits provided (continued)

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees entitled to, but not yet receiving benefits	42
Active employees	109
	<hr/> 151

C. Contributions

A combination of three elements funds each employer's plan: employee deposits, employer contributions, and investment income.

- The deposit rate for employees is 4.00%, 5.00%, 6.00% and 7.00% of compensation, as adopted by the employer's governing body.
- Participating employer's are required, by law, to contribute at a minimum the actuarially required rates, which are determined annually.
- Investment income funds a large part of the benefits employees earn.

Employers have the option of paying more than the required contribution rate each year. Extra contributions can help employer's "prefund" benefit increases, such as cost-of-living adjustment to retirees, and they can be used to help offset or mitigate future increases in the required rate due to negative plan experience. There are two approaches for making extra contributions:

- (a) paying an elected contribution rate higher than the required rate and
- (b) making an extra lump-sum contribution to the employer account.

Employees for the District were required to contribute 4.00% of their annual gross earnings during the year. The contribution rate for the District was 2.8% in calendar year 2019. The District's contributions to TCDRS for the year ended August 31, 2019 were \$69,809, and were equal to the required contributions.

D. Net pension liability (asset)

The District's Net Pension Liability (Asset) (NPL) was measured as of December 31, 2018 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (asset) (continued)

Actuarial assumptions

The actuarial assumptions that determine the TPL as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2018 through December 31, 2018, except where required to be different by GASB 68.

Key assumptions used in the December 31, 2018 actuarial valuation are as follows:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/ demographics gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.90%
Investment Rate of Return	8.00% (Gross of administrative expenses)
Cost of Living Adjustments	Cost-of-Living Adjustments for STAR Transit are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (asset) (continued)

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The target allocation and best estimate of geometric real rate of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation	Geometrical Real Rate of Return (Expected Minus Inflation)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
Int'l Equities - Developed	MSCI World Ex USA (net) Index	10.00%	5.40%
Int'l Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P.LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

Discount rate

The discount rate used to measure the TPL was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (asset) (continued)

Changes in the net pension liability (asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(A)	(B)	(A) - (B)
Balances as of December 31, 2017	\$ 194,290	\$ 213,628	\$ (19,338)
Changes for the year:			
Service cost	177,286	-	177,286
Interest	29,483	-	29,483
Effect of economic/demographic gains/losses	8,295	-	8,295
Refund of contributions	(15,467)	(15,467)	-
Administrative expenses	-	(338)	338
Member contributions	-	128,874	(128,874)
Net investment income	-	(1,709)	1,709
Employer contributions	-	89,889	(89,889)
Other	-	6,078	(6,078)
Balances as of December 31, 2018	<u>\$ 393,887</u>	<u>\$ 420,955</u>	<u>\$ (27,068)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate -

The following presents the NPL of the District, calculated using the discount rate of 8.10%, as well as what the District's NPL would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
District's net pension liability (asset)	\$ 27,198	\$ (27,068)	\$ (72,362)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled \$13,661.

STAR TRANSIT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)

E. Pension expense and deferred outflows/inflows of resources related to pensions

For the fiscal year ended August 31, 2019, the District recognized pension expense of \$54,653.

At August 31, 2019, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	\$ 180
Pension contributions after measurement date	39,984
Differences in projected and actual earnings on pension assets	24,858
Difference in expected and actual pension experience	7,805
Total	\$ 72,827

\$39,984 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ended August 31, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2019	\$ 8,116
2020	8,116
2021	8,117
2022	7,114
2023	1,380
Total	\$ 32,843

REQUIRED SUPPLEMENTARY INFORMATION

These supplementary schedules are included to supplement the basic financial statements as required by Governmental Accounting Standards Board.

STAR TRANSIT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Calendar Years (will ultimately be displayed)

	2017	2018
Total Pension Liability		
Service Cost	\$ 179,338	\$ 177,286
Interest on total pension liability	14,481	29,483
Effect of assumption changes or inputs	270	-
Effect of economic/demographic gains/losses	1,339	8,295
Benefit payments/refunds of contributions	(1,138)	(15,467)
Net Change in Total Pension Liability	194,290	199,597
Total Pension Liability - Beginning	-	194,290
Total Pension Liability - Ending (a)	\$ 194,290	\$ 393,887
Plan Fiduciary Net Position		
Employer contributions	\$ 85,797	\$ 89,889
Member contributions	122,990	128,874
Investment income net of investment expenses	3,340	(1,709)
Benefit payments/refunds of contributions	(1,138)	(15,467)
Administrative expenses	(142)	(338)
Other	2,781	6,078
Net Change in Plan Fiduciary Net Position	213,628	207,327
Plan Fiduciary Net Position - Beginning	-	213,628
Plan Fiduciary Net Position - Ending (b)	\$ 213,628	\$ 420,955
Net Pension (Asset) Liability - Ending (a) - (b)	\$ (19,338)	\$ (27,068)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	109.95%	106.87%
Covered Payroll	3,074,738	3,221,859
Net Pension Liability as a Percentage of Covered Payroll	0.63%	0.84%

Notes to Schedule:

N/A

STAR TRANSIT
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2017	2018	2019
Actuarially Determined Contribution	\$ 49,584	\$ 92,668	\$ 69,809
Contributions in relation to the actuarially determined contribution	49,584	92,668	69,809
Contribution deficiency (excess)	-	-	-
Covered payroll	1,797,778	3,321,953	1,745,216
Contributions as a percentage of covered payroll	2.8%	2.8%	4.0%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.2 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule*	2017: New mortality assumptions were reflected. 2018: No changes in plan provisions were reflected in the schedule.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

SINGLE AUDIT SECTION

STAR TRANSIT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended August 31, 2019

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
U.S. Department of Transportation:			
<i>Federal Transit Cluster</i>			
Pass-through North Central Texas Council of Governments:			
Federal Transit - Formula Grants	20.507	NCTCOG	\$ 1,602,512
<i>Total Federal Transit Cluster</i>			1,602,512
<i>Transit Services Programs</i>			
Pass-through North Central Texas Council of Governments:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	NCTCOG	260,767
<i>Total Transit Services Programs</i>			260,767
<i>Other Programs</i>			
Pass-through Texas Department of Transportation:			
Metropolitan Transportation Planning and State and Non-metropolitan Planning and Research	20.505	TXDOT	77,048
Formula Grants for Rural Areas	20.509	TXDOT	1,103,712
Total U.S. Department of Transportation			3,044,039
Total expenditures of federal awards			\$ 3,044,039

STAR TRANSIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
August 31, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of STAR Transit under programs of the federal government for the year ended August 31, 2019. The information in this Schedule 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 STAR Transit, it is not intended to and does not present the financial position, changes in net assets, or cash flows of STAR Transit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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

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

STAR TRANSIT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2019

There are no prior audit findings.



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
STAR Transit
Terrell, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of STAR Transit, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise STAR Transit's basic financial statements and have issued our report thereon dated January 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered STAR Transit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of STAR Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of STAR Transit'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 STAR Transit's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeldell, Wilson, Wood & Reeve, P.C.

Yeldell, Wilson, Wood & Reeve, P.C.
Certified Public Accountants

Ennis, Texas
January 29, 2020



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

To the Board of Directors
STAR Transit
Terrell, Texas

Report on Compliance for Each Major Federal Program

We have audited STAR Transit's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of STAR Transit's major federal programs for the year ended August 31, 2019. Star Transit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of STAR Transit's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about STAR Transit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of STAR Transit's compliance.

Opinion on Each Major Federal Program

In our opinion, STAR Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control Over Compliance

Management of STAR Transit 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 STAR Transit'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 STAR Transit'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Yeldell, Wilson, Wood & Reeve, P.C.

Yeldell, Wilson, Wood & Reeve, P.C.
Certified Public Accountant

Ennis, Texas
January 29, 2020

STAR TRANSIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of STAR Transit were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of STAR Transit, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for STAR Transit expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as a major program were:
 - 20.507 Federal Transit - Formula Grants
8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. STAR Transit did qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS AUDIT

None