ACCESS SERVICES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND REPORTS IN COMPLIANCE WITH UNIFORM GUIDANCE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
FINANCIAL STATEMENTS

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Rossi LLP rossillp.com
Certified Public Accountants
Consultants

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Access Services
El Monte, California

Report on the Financial Statements

We have audited the accompanying financial statements of Access Services (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

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 Access Services as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules of expenses are presented for purposes of additional analysis and are not required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 10, 2018, on our consideration of Access Services' 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 Access Services' 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 Access Services' internal control over financial reporting and compliance.

Rossi LLP

Long Beach, California
January 10, 2018

As of June 30,	**2017**
ASSETS	
Current assets:	
Cash and cash equivalents	$ 22,919,317
Grants receivable	4,309,164
Due from LACMTA	389,574
Accounts receivable	71,958
Prepaid expenses and other assets	7,125,032
Total current assets	34,815,045
Property and equipment, net	16,640,695
Deposits	66,654
Total assets	$ 51,522,394
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	$ 4,439,012
Contractors payable	12,299,263
Accrued expenses	2,002,159
Unfunded defined benefit plan liability	3,184,726
Self insurance accruals	4,292,099
Deferred support	10,608,545
Deferred revenue	250,214
Total current liabilities	37,076,018
Commitments and contingencies	
Net assets:	
Unrestricted	14,446,376
Total net assets	14,446,376
Total liabilities and net assets	$ 51,522,394

The accompanying notes are an integral part of these financial statements

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF ACTIVITIES

For the year ended June 30,		**2017**	
Revenue and support:	**Unrestricted**	**Temporarily restricted**	**Total**
Los Angeles County MTA funds	$ 81,793,808	$ -	$ 81,793,808
Section 5310 funds	63,300,000	6,899,484	70,199,484
Passenger revenues	9,971,134	-	9,971,134
Section 5316 funds	1,065,106	1,770,214	2,835,320
Gain on disposal of assets	596,996	-	596,996
Section 5317 funds	325,092	9,631	334,723
Other revenue	92,368	-	92,368
Interest income	8,795	-	8,795
Net assets released from restrictions	10,900,165	(10,900,165)	-
Total revenue and support	168,053,464	(2,220,836)	165,832,628
Operating expenses:			
Purchased transportation services (net of lease and penalties)	119,263,536	-	119,263,536
Salaries and related expenses	7,708,754	-	7,708,754
Insurance and claims	6,565,235	-	6,565,235
Eligibility determination	6,477,224	-	6,477,224
Communications - telephone/data transmissions	2,141,432	-	2,141,432
Contracted customer services	2,127,938	-	2,127,938
Professional services	1,456,430	-	1,456,430
Phone and computer system maintenance/consulting	909,914	-	909,914
Network support/supplies	804,105	-	804,105
Rent - office and equipment	637,000	-	637,000
Travel training	588,569	-	588,569
Publications/printed materials/copying	531,819	-	531,819
Promotions/events	316,763	-	316,763
Tether pilot program	268,375	-	268,375
Postage/mailing/messenger	256,000	-	256,000
Security	200,000	-	200,000
Vehicle operating cost and registration	155,554	-	155,554
Travel and conference	116,732	-	116,732
Other related employee expense	96,488	-	96,488
Repairs and maintenance	90,345	-	90,345
Office supplies	45,595	-	45,595
Advertising - legal and procurement notices	35,104	-	35,104
Other expenses	29,157	-	29,157
Reserve for lawsuit settlement	27,313	-	27,313
Business meetings and meals	21,575	-	21,575
Translations/interpreters	20,807	-	20,807
Board and Advisory Committee compensation	19,766	-	19,766
Training program/materials	19,615		19,615
Temporary personnel	25,355	-	25,355
Scholarship programs	10,170	-	10,170
Professional memberships/subscriptions/references	10,027	-	10,027
Mileage and parking	9,746	-	9,746
Equipment/other rental	9,060	-	9,060
Total expenses before certain noncash charges	150,995,503	-	150,995,503
Increase in unfunded defined benefit plan liability	965,663	-	965,663
Depreciation	7,733,828	-	7,733,828
Total expenses	159,694,994	-	159,694,994
Change in net assets	8,358,470	(2,220,836)	6,137,634
Net assets, beginning of year	6,087,906	2,220,836	8,308,742
Net assets, end of year	$ 14,446,376	$ -	$ 14,446,376

The accompanying notes are an integral part of these financial statements

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF CASH FLOWS

For the year ended June 30,	**2017**
Cash flows from operating activities:	
Change in net assets	$ 6,137,634
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Non-cash items included in change in net assets:	
Gain on disposal of assets	(596,996)
Depreciation and amortization	7,733,828
(Increase) decrease in operating assets:	
Grants receivable	1,591,161
Due from LACMTA	3,541,521
Accounts receivable	15,978
Prepaid expenses and other assets	(3,224,035)
Increase (decrease) in operating liabilities:	
Accounts payable	3,178,408
Contractors payable	2,836,891
Accrued expenses	998,969
Unfunded defined benefit plan liability	965,663
Self insurance accruals	435,258
Deferred support	(13,952,691)
Deferred revenue	(58,857)
Net cash provided by operating activities	9,602,732
Cash flows from investing activities:	
Proceeds from sale of equipment	724,086
Acquisition of property and equipment	(10,717,682)
Net cash used in investing activities	(9,993,596)
Net decrease in cash and cash equivalents	(390,864)
Cash and cash equivalents, beginning of year	23,310,181
Cash and cash equivalents, end of year	$ 22,919,317

The accompanying notes are an integral part of these financial statements

For the year ended June 30, 2017

NOTE 1

ORGANIZATION AND PURPOSE

Access Services (the "Organization") was incorporated in the State of California as a nonprofit 501(c)(3) public benefit corporation on March 31, 1994. Access Services is the designated Los Angeles County Consolidated Transportation Services Agency ("LACCTSA") pursuant to Gov. Code §15975(a) and public entity pursuant to Gov. Code §15975(b). The Organization administers the Los Angeles County Coordinated Paratransit Plan ("Plan") on behalf of the County's 45 public fixed route operators (i.e., bus and rail). Pursuant to the Plan, Access Services facilitates the provision of complementary American Disabilities Act ("ADA") paratransit services to certain persons with disabilities as required by 42 U.S.C. §12143 under the name "Access Paratransit". Paratransit is an alternative mode of flexible passenger transportation that does not follow fixed routes or schedules. Typically, vans or mini-buses are used to provide paratransit service, but also shared taxis and jitneys are important providers as a form of transportation. Complementary ADA paratransit is a federally mandated civil right for persons with disabilities who cannot ride public fixed route buses and trains. Access Services also provides certain limited services which exceed the minimum required by the ADA.

As required by applicable regulations, Access Paratransit service is available for any qualified ADA paratransit eligible individual for any purpose and to or from any location within ¾ of a mile of any fixed route bus operated by the Los Angeles County public fixed route bus operators and within ¾ of a mile around Metro rail stations during the hours that the systems are operational. The service area is divided into regions and extends into portions of the surrounding counties of San Bernardino, Orange, and Ventura that are served by Los Angeles County fixed route bus lines.

Access Paratransit operates seven days a week, 24 hours of the day in most areas of Los Angeles County. It is a shared ride service that is curb-to-curb utilizing a fleet of small buses, mini-vans and taxis. Fares are distance-based and currently range from $2.75 to $3.50 for each one-way trip. Personal Care Assistants may ride with the qualified rider free of charge. Different fares may be charged in the Antelope Valley and Santa Clarita Valley service areas and during late-night service.

Access Services facilitates Access Paratransit service by entering into and administering federally funded regional contracts with independent private transit providers, which in turn, provide the reservation and transportation services in conformity with the Plan, applicable law, and the contract. Access Services also leases vehicles to the regional providers at $1 per month to help facilitate the provision of service under the contracts. In total, the Access Paratransit system provides approximately 3.4 million trips per year to more than 171,000 qualified disabled riders in a service area of over 1,950 square miles. Access Services receives its funding for these services from Proposition C sales tax, Federal 5310 grants, and fare box revenue.

In its function as the LACCTSA, Access Services acts as a state-mandated facilitator charged with the development and implementation of regional coordination of social service transportation to seniors, persons with disabilities, the young, and the low-income disadvantaged.

Access Services is governed by a nine-member board of directors with one appointment by each of: (i) the Los Angeles County Board of Supervisors, (ii) the City Selection Committee's

NOTE 1 - CONTINUED

ORGANIZATION AND PURPOSE

Corridor Transportation Representatives, (iii) the Mayor of the City of Los Angeles, (iv) the Los Angeles County municipal fixed-route operators, (v) the Los Angeles County local fixed-route operators, (vi) the Los Angeles County Commission on Disabilities, (vii) the Coalition of Los Angeles County Independent Living Centers, (viii) the Los Angeles County Metropolitan Transportation Authority, and (ix) an alternating appointment by the municipal and local fixed-route operators.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting principles:

Access Services' financial statements are prepared in conformity with generally accepted accounting principles ("GAAP") of the United States of America, using the accrual basis of accounting, and follow the guidelines in the American Institute of Certified Public Accountants' ("AICPA's") Audit and Accounting Guide, "Audits of Certain Nonprofit Organizations."

In preparing these financial statements, we evaluated the period from July 1, 2017 through January 10, 2018, the date the financial statements were available for issuance for material subsequent events requiring recognition or disclosure in the accompanying financial statements.

Financial statement presentation:

The Organization follows the provisions of the AICPA's Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC 958, *Not-for-Profit Entities*. Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Access Services and changes therein are classified and reported as follows:

Unrestricted net assets **-** Net assets that do not have donor restrictions or the donor-imposed restrictions have expired due to the Organization's fulfillment of the restrictions and/or by the passage of time.

Temporarily restricted net assets **-** Net assets that contain donor-imposed restrictions that permit the Organization to use or expend the donated net assets as specified, whose restrictions are satisfied either by the passage of time and/or by actions of the Organization. There were no temporarily restricted net assets at June 30, 2017.

Permanently restricted net assets **-** Net assets subject to donor-imposed stipulations that the Organization maintains them permanently. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2017.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their uses are restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

NOTE 2 – CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 was issued to improve the current net asset classification requirements and the information presented in the financial statements and notes thereto about a not-for-profit entity's liquidity, financial performance, and cash flows. Additionally, the amendments in ASU 2016-14 among other matters, reduce the current three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two classes of net assets (net assets with donor restrictions and net assets without donor restrictions). The amendments in ASU 2016-14 are effective for the fiscal years beginning after December 15, 2017 with early adoption permitted and should be applied on a retrospective basis to all periods presented. Management of the Organization is currently evaluating the impact of the pending adoption of ASU 2016-14 on its financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842).* ASU 2016-02 was issued to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with GAAP, the recognition, measurement, and presentation of expenses and cashflows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new ASU will require both types of leases to be recognized on the balance sheet. ASU 2016-02 will take effect for fiscal years beginning after December 15, 2019 with early adoption permitted. Management of the Organization is currently evaluating the impact of the pending adoption of ASU 2016-02 on its financial statements.

Estimates inherent in the preparation of financial statements:

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates, and assumptions, and such differences could be material to the financial statements.

Fair value of financial instruments:

The Organization's financial instruments, including cash and cash equivalents, grants and accounts receivable, accounts payable and other liabilities are carried at cost, which approximates their fair values because of the short-term maturity of these instruments and the relative stability of interest rates. Long-term borrowings are also carried at amounts that approximate fair value.

Revenue recognition:

Access Services primarily receives revenue from Federal Section 5310 grants, Proposition C discretionary funds and other grants through the LACMTA acting in its capacity as the Regional Transportation Authority, and passenger fares for the paratransit services provided. Revenues are deemed to be earned when allowable expenses are incurred or

NOTE 2 - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

recognized by Access Services. Revenue received for expenditures related to capital expenditures (i.e. equipment) are recognized as the assets are acquired. LACMTA funding received for expenditures related to prepayments are recognized as the amounts are prepaid. Passenger revenues are recognized as services are provided to passengers.

Amounts received but not earned as of June 30, 2017 are included in the accompanying statement of financial position as deferred support. Unexpended Proposition C sales tax discretionary funds are required to be refunded to LACMTA under a Memorandum of Understanding unless such funds are committed for specific future purposes. As of June 30, 2017, unexpended funds were primarily committed for future operations, purchase of vehicles, and capital assets. LACMTA funding is subject to audit and retroactive adjustment by outside third parties; however, in the opinion of management, Access Services has provided adequate reserves for any such situations.

Federal Section 5310 grant funds are recognized for financial reporting purposes as expenditures are made or liabilities are incurred in fulfilling the purpose of the grant award. Funds granted for paratransit provider services are recorded as unrestricted revenue and funds designated for vehicle acquisitions are recorded as temporarily restricted revenue. The Federal Section 5310 grant funds designated for vehicles and equipment are released from restriction and are recognized as unrestricted income when the vehicle is acquired. During the fiscal year ended June 30, 2017, Access Services was awarded a Federal Transit Administration ("FTA") Section 5310 Surface Transportation Program ("STPL-R") grant of $63,300,000 to provide contract services for paratransit eligibility determination and transportation provision functions throughout the County of Los Angeles. As of June 30, 2017, Access Services had received and recognized as revenue all the funds available under this grant.

Access Services was awarded a CMAQ grant of $424,000 for the regional integration of paratransit resources that will allow local dial-a-ride agencies to transmit their unused paratransit vehicle capacity into Access Services' Uniform Scheduling System. As of June 30, 2017, Access Services had incurred $69,792 of expenses related to the project. At June 30, 2017, Access Services wrote off the remaining unexpended grant amount of $354,208. The project was closed due to change in technologies required by the project.

Access Services was awarded an FTA Section 5317 New Freedom grant of $1,405,980 for three projects: (1) Transportation Services for Adults with Children Program – this program is designed to provide transportation assistance for the agency clients who live in the San Fernando Valley region of Los Angeles County to allow them to engage in childcare related activities; (2) Tether Strap and Marking Program – this is for the procurement of tether straps and tape to be installed on wheelchairs, as part of the Tether Strap and Marking Program in Los Angeles County; and (3) Access to Work Program – this is operating assistance to implement a three-year Access to Work Program to provide the agency clients with transportation to work and work related activities in Los Angeles County. As of June 30, 2017, Access Services has incurred $1,326,308 of expenses of which $214,556 was incurred during the fiscal year ended June 30, 2017. At June 30, 2017, Access Services had a receivable balance of $99,862 under this grant.

NOTE 2 - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Access Services originally was awarded an FTA Section 5316 Job Access – Reverse Commute ("JARC") grant of $2,943,671 to implement the Access to Work Program. The funds were to be used for (1) the purchase of vehicles for $1,884,000 and (2) operating costs for $1,059,671. During the year ended June 30, 2014, Access Services entered into an amendment to this grant which increased the grant amount by $7,450,092 to $10,393,763. The additional funds are to be used for (1) the purchase of vehicles of $3,832,500 and (2) operating costs of $3,617,592. As of June 30, 2017, Access Services has incurred $8,839,003 of expenses under the original and amended grant, of which $2,835,320 was incurred during the fiscal year ended June 30, 2017. At June 30, 2017, Access Services had a grant receivable balance of $3,512,466.

On July 29, 2014, Access Services was awarded an FTA Section 5317 New Freedom grant for Service Area Expansion in the amount of $740,500. The project's scope of work consists of operating assistance to provide new paratransit service beyond what is required by ADA to/from origins/destinations outside Access' service area but within regions of Los Angeles County that are part of the Los Angeles-Long Beach-Anaheim area. As of June 30, 2017, Access Services had incurred $116,350 of expenses of which $112,177 was incurred during the fiscal year ended June 30, 2017. Accordingly, at June 30, 2017, Access Services had a grant receivable balance of $696,836.

On March 4, 2016, Access Services was awarded an FTA Section 5310 Enhanced Mobility of Seniors and Individuals with Disabilities Program grant of $7,072,604 to purchase one hundred twenty-seven replacement ADA compliant vehicles for the continuation of existing ADA complementary paratransit services and five expansion ADA compliant vehicles for the expanded service capacity of ADA complementary paratransit services within the specified areas. The grant was passed through from LACMTA to Access Services to complete the project. At June 30, 2017, Access Services had incurred $6,899,484 to purchase one hundred thirty-two vehicles as required by the grant, all of which was incurred during the year ended June 30, 2017. Subsequent to June 30, 2017, Access Services with LACMTA's approval used the remaining unexpended grant amount of $173,120 to purchase some additional vehicles.

On January 1, 2017, Access Services was awarded an FTA Section 5317 New Freedom Service Area Expansion grant of $218,000 to provide new paratransit service beyond what is required by the ADA to/from origins/destinations outside the Agency's service area from/to the Lancaster-Palmdale Urbanized Area. The grant was passed through from LACMTA to Access Services to complete the project's scope of work. During the fiscal year ended June 30, 2017, Access Services incurred $7,990 of expenses related to this grant and at June 30, 2017, had a grant receivable balance of $218,000 from LACMTA for this grant.

Concentration of credit and business risk:

As a public benefit corporation, cash funds held at Wells Fargo and Union Bank are 100 percent collateralized in compliance with the requirements of the California Government Code.

Access Services received approximately 44% of its total funding for the year ended June 30, 2017 from the FTA, and the receivable from the FTA accounted for 100% of total grants

NOTE 2 - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

receivable at year end. Any material reduction in the contract amounts granted would have a material adverse effect on the Organization's business, results of operations, and financial condition. Management anticipates that each program will continue to be renewed in the foreseeable future.

Access Services receives funding from LACMTA acting in its role as a Regional Transportation Planning Authority through an annual memorandum of understanding. During the year ended June 30, 2017, this funding represented approximately 49% of Access Services' total funding received for the fiscal year then ended. As of June 30, 2017, $389,574 was due from LACMTA.

Income taxes:

The Organization is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. The Organization does not believe that during the fiscal year ended June 30, 2017 that it had any unrelated business income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization follows the provisions of FASB ASC 740-10, *Income Taxes* and subsections. Accordingly, Access Services accounts for uncertain tax positions, if any, by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. The Organization does not believe that its financial statements include any uncertain tax positions and accordingly, has not recorded a liability for unrecognized taxes in the accompanying financial statements.

Cash and cash equivalents:

Cash and cash equivalents primarily consist of cash in bank checking accounts and money market funds with initial maturities of 90 days or less.

Property and equipment:

Property and equipment that is purchased is stated at cost. Major improvements and betterments to existing property and equipment are capitalized as incurred. Cost for maintenance and repairs which do not extend the useful life of the applicable assets are charged to expense as incurred. Upon disposition, the cost and accumulated depreciation of disposed assets are removed from the accounts and any resulting gains or losses are included in the statement of activities.

Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets as follows:

Vehicles and equipment	4	years
Office furniture and equipment	3	years
Software	3	years
Leasehold improvements	5	years

Property and equipment purchased with FTA funds are subject to federal regulations whereby any disposition of project property before the end of its useful life requires prior

For the year ended June 30, 2017

NOTE 2 - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FTA approval. If project property is removed from service before the end of its useful life, the Organization is subject to a return of funds to the FTA of the amount of the undepreciated net asset value of the subject property.

After the service life of project property occurs, rolling stock and equipment with a current market value exceeding $5,000 per unit, or unused supplies with a total aggregate fair market value of more than $5,000, may be retained or sold by Access Services. In the event Access Services disposes of property and equipment purchased with federal funds, the proceeds in excess of $5,000 must be used to reduce the gross project costs of another federally funded capital transit project.

For rolling stock and equipment with a current market value of $5,000 or less, or unused supplies with a total aggregate fair market value of $5,000 or less, the asset may be retained, sold or otherwise disposed of with no obligation to reimburse FTA.

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of its property and equipment may not be recoverable. An impairment loss is recognized when the assets' carrying value exceeds both the assets' estimated undiscounted future cash flows and the assets' estimated fair value. Measurement of the impairment loss is then based on the estimated fair value of the assets. Considerable judgment is required to project such future cash flows and, if required, to estimate the fair value of the property and equipment and the resulting amount of the impairment. No impairment charges were recorded for property and equipment during the year ended June 30, 2017.

NOTE 3

GRANTS RECEIVABLE

Grants receivable consist of:

As of June 30,		**2017**
Access to work grant	$	3,512,466
Service expansion grant		696,836
Adults/Tether strap grant		99,862
Total	$	4,309,164

The Organization has not recorded an allowance for uncollectible grants or accounts receivable since management believes that it is probable that all receivables will be collected.

NOTE 4

ACCOUNTS RECEIVABLE AND DEFERRED REVENUE

Accounts receivable generally consist of the sales of rider coupons by cities or transportation agencies, not yet remitted to the Organization. Additionally, the Organization has recorded deferred revenue of $250,214 related to coupons sold, but not utilized as of June 30, 2017.

For the year ended June 30, 2017

NOTE 5

PROPERTY AND EQUIPMENT

Property and equipment consists of vehicles, office furniture and equipment, software and leasehold improvements as follows:

As of June 30,	**2017**
Vehicles and equipment	$ 40,230,794
Office furniture and equipment	1,283,431
Software	4,488,200
Leasehold improvements	1,271,046
Total property and equipment	47,273,471
Less: accumulated depreciation	(30,632,776)
Property and equipment, net	$ 16,640,695

Depreciation expense for the year ended June 30, 2017 was $7,733,828.

NOTE 6

DEFERRED SUPPORT

Deferred support as of June 30, 2017, consists of the following:

As of June 30,	**2017**
LACMTA funding	$ 8,139,953
Service expansion/Adult Tether grant	930,192
Access to work FTA JARC grant	1,538,400
Total	$ 10,608,545

Deferred support amounts are committed for future acquisitions of vehicles, capital expenditures, and current period and near term operating expenditures.

Access Services receives funds from LACMTA for the support of operations, acquisition of vehicles, and other capital expenditures. These funds are initially recorded as deferred support, a liability on the statement of financial position. Deferred support amounts are reduced based on the recognition of revenue, the timing of which may be different than the expenditures for operations, and the acquisition of vehicles and capital improvements. (See also Note 2).

All other deferred support consists of grants in which funds have not yet been received. Access Services recognizes revenue related to these grants when the respective expenses are incurred.

NOTE 7

FUNCTIONAL EXPENSES

Salaries, benefits, and other related expenses are categorized to paratransit operations, eligibility determination, LACCTSA function and ride information, and management and general, primarily based on personnel job function. Other indirect costs are allocated based on either the number of employees located within a department, estimated asset usage, or the nature of services provided.

Expenses for the fiscal year ended June 30, 2017 are functionally allocated as follows:

For the year ended June 30,	**2017**
Program services:	
Paratransit operations	$ 140,700,677
Eligibility determination	10,208,974
CTSA function and ride information	301,057
Total program services	151,210,708
Management and general	8,484,286
Total	$ 159,694,994

NOTE 8

RETIREMENT PLAN

Access Services established a 403(b)(7) tax sheltered annuity ("TSA") plan in January 1995 under which employees may, by elective deferral under a salary reduction agreement, contribute to the plan. Contributions are applied to group or individual annuity contracts, or to custodial accounts holding regulated investment stock that meet the requirements of Section 403(b) of the Code. Contributions and investments are determined by the employees. During the fiscal year ended June 30, 2017, there were no employer contributions to the plan.

Access Services entered into an agreement on April 10, 2000, with the California Public Employees Retirement System ("CalPERS"), replacing the employee's Social Security Administration program. Access Services requires mandatory employee participation in the CalPERS defined contribution program. For legacy members, CalPERS program requires a 7.0% contribution of employees' gross wages, of which Access Services employees contribute 0% of their gross wages, and 7.0% of gross wages is being contributed by Access Services. Access Services also contributes towards the employee account based on a CalPERS actuarial process, which was 7.159% of employees' gross wages for the year ended June 30, 2017.

Effective January 1, 2013, any new employees are required to contribute 6.25% of their gross wages to the CalPERS Plan.

Under Governmental Accounting Standards Board ("GASB") which was amended by GASB 68 –*Accounting and Financial Reporting for Pensions*, an employer should recognize annual pension expenditures/costs ("APC") equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made.

The Organization utilizes the most recent actuarial information available at the time it prepares and issues its financial statements. At June 30, 2017, the most current available actuarial financial information from CalPERS was as of June 30, 2016, which has been recorded in the financial statements. Accordingly, a summary of principal assumptions and methods used to determine the contractually required contributions is shown below as of June 30, 2016 (the most up to date information currently available):

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Salary increases	Varies by Entry Age and Service
Inflation	2.75%
Mortality rate table	Derived using CalPERS' membership data for all Funds
Post-retirement benefit	Contract COLA up to 2.75% until purchasing power
Increase	Protection allowance floor on purchasing power applies, 2.75% thereafter

For the year ended June 30, 2017

NOTE 8 - CONTINUED

RETIREMENT PLAN

Required Supplementary Information

TREND INFORMATION

Below is the trend information, related to the employees hired prior to January 1, 2013:

For the years ended June 30,	**2017**	**2016**
Entry Age Normal Accrued Liability	$ 14,014,605	$ 12,558,151
Market Value of Plan Assets	10,883,857	10,339,088
Unfunded Defined Benefit Plan Liability	3,130,748	2,219,063
Funded Ratio	77.7%	82.3%
Annual Covered Payroll	$ 3,576,056	$ 3,832,193

Below is the trend information, related to the employees hired after January 1, 2013:

For the years ended June 30,	**2017**	**2016**
Entry Age Normal Accrued Liability	$ 505,977	$ 238,152
Market Value of Plan Assets	451,999	226,484
Unfunded Defined Benefit Plan Liability	53,978	11,668
Funded Ratio	89.3%	95.1%
Annual Covered Payroll	$ 1,801,484	$ 1,363,286

The effect of any potential increase in unfunded defined benefit plan liability is not included in the budget request allotment from LACMTA. Access Services recorded the following defined benefit plan expense for the year ended June 30, 2017:

For the year ended June 30,	**2017**
Contributions made during the year	$ 750,976
Increase in unfunded defined benefit plan liability	965,663
Total	$ 1,716,639

NOTE 9

COMMITMENTS AND CONTINGENCIES

Litigation:

In the normal course of operations the Organization may be a party to various legal claims, actions and complaints, and Access Services maintains accruals for such costs that are expected to be incurred. Although it is not possible to predict the outcome of these matters, management believes that they will not, individually or in the aggregate, have a material impact on Access Services' financial statements.

Self insurance:

On June 21, 2009, the Organization implemented a self-insurance program covering portions of vehicle and general liability insurance claims. Access Services bears the risk of loss for each individual claim up to $100,000 per incident with an aggregate annual maximum of $3.0 million. The amount in excess of the self-insured levels is fully insured by third party insurers to coverage levels that the Organization considers adequate. The Organization's self-insurance program is administered by a third party.

A summary of the Organization's self-insured liability is as follows:

As of June 30,	**2017**
Balance at beginning of year	$ 3,856,841
Charged to operating costs	1,833,256
Payments for claims	(1,397,998)
Balance at end of year	$ 4,292,099

For the year ended June 30, 2017

NOTE 9 – CONTINUED

COMMITMENTS AND CONTINGENCIES

Operating lease:

Access Services leases its facility under a ten-year non-cancellable operating lease agreement with LACMTA at $50,000 per month, expiring on January 1, 2027. Rent expense for the year ended June 30, 2017 under this operating lease was $611,492, including common area maintenance charges.

On June 1, 2017, Access Services leased a new facility with City of Commerce under a non-cancellable operating lease agreement which expires on November 30, 2027. Rent expense for the year ended June 30, 2017 under this operating lease was $25,508, including common area maintenance charges.

Access Services also leases various office equipment.

Total rent expenses incurred for the year ended June 30, 2017 was $637,000.

Future non-cancelable minimum lease payments under the Organization's operating leases are as follows:

For the year ending June 30,	**Amount**
2018	$ 741,155
2019	848,793
2020	856,263
2021	863,950
2022	871,866
Thereafter	4,321,605
	$ 8,503,632

Supplemental Information For
Statement of Activities

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
SUPPLEMENTAL SCHEDULE OF EXPENSES

For the year ended June 30,	**2017**
Paratransit operations expenses:	
Purchased transportation services (net of lease and penalties)	$ 117,976,386
Depreciation	7,365,211
Insurance and claims	6,328,038
Salaries and related expenses	3,089,421
Contracted customer services	2,127,938
Communications - telephone/data transmissions	1,873,505
Phone and computer system maintenance/consulting	803,629
Promotions/events	274,745
Rent - office and equipment	246,139
Security	200,000
Vehicle operating cost and registration	154,507
Publications/printed materials/copying	125,502
Travel and conference	70,353
Postage/mailing/messenger	26,996
Office supplies	13,667
Professional services	13,551
Temporary personnel	9,028
Professional memberships/subscriptions/references	2,061
Total paratransit operations expenses	$ 140,700,677

The accompanying notes are an integral part of these financial statements

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
SUPPLEMENTAL SCHEDULE OF EXPENSES - CONTINUED

For the year ended June 30,	**2017**
Other activities	
Eligibility determination expenses:	
Eligibility determination	$ 6,477,224
Purchased transportation services (net of lease and penalties)	1,287,150
Travel training	588,569
Communications - telephone/data transmissions	165,107
Salaries and related expenses	452,280
Publications/printed materials/copying	366,086
Tether pilot program	268,375
Professional services	184,796
Postage/mailing/messenger	160,209
Rent - office and equipment	98,315
Insurance and claims	70,570
Repairs and maintenance	34,527
Promotions/events	22,963
Translations/interpreters	20,807
Office supplies	5,492
Depreciation	3,120
Equipment/other rental	2,400
Travel and conference	726
Professional memberships/subscriptions/references	258
Total eligibility determination expenses	$10,208,974
CTSA function and ride information expenses:	
Salaries and related expenses	$ 232,379
Training program/materials	19,615
Rent - office and equipment	13,187
Scholarship programs	10,170
Temporary personnel	8,904
Postage/mailing/messenger	5,399
Communications - telephone/data transmissions	4,130
Publications/printed materials/copying	2,342
Promotions/events	2,192
Office supplies	1,774
Insurance and claims	707
Professional memberships/subscriptions/references	258
Total CTSA function and ride information expenses	301,057
Total other activities	$10,510,031

The accompanying notes are an integral part of these financial statements

For the year ended June 30,		**2017**
Management and general expenses:		
Salaries and related expenses	$	4,900,337
Professional services		1,258,083
Network support/supplies		804,105
Depreciation		365,497
Rent - office and equipment		279,359
Insurance and claims		165,920
Phone and computer system maintenance/consulting		106,285
Communications - telephone/data transmissions		98,690
Other related employee expense		96,488
Postage/mailing/messenger		63,396
Repairs and maintenance		55,818
Travel and conference		45,653
Publications/printed materials/copying		37,889
Advertising - legal and procurement notices		35,104
Other expenses		29,157
Reserve for lawsuit settlement		27,313
Office supplies		24,662
Business meetings and meals		21,575
Board and Advisory Committee compensation		19,766
Promotions/events		16,863
Mileage and parking		9,746
Professional memberships/subscriptions/references		7,450
Temporary personnel		7,423
Equipment/other rental		6,660
Vehicle operating cost and registration		1,047
Total management and general expenses	$	8,484,286

The accompanying notes are an integral part of these financial statements

Supplemental Information
For The Year Ended June 30, 2017
In Compliance with Uniform Guidance

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2017	**Federal CFDA number**	**Grant number**	**Effective dates**	**Program or award amount**	**Expenditures**	
<u>Federal grantor program title</u>						
<u>U.S. Department of Transportation:</u>						
Surface Transportation Program Local Regional Section 5310 Grant	20.513	Note D	7/1/2016	$ 63,300,000	$ 63,300,000	*
FTA - Services for Adults/Tether Strap Program Section 5317 - New Freedom Funds	20.521	Note E	4/1/2011	1,405,980	214,556	*
FTA - Access to Work Program - JARC Program Funds Section 5316	20.516	Note F	4/1/2011	10,393,763	2,835,320	*
Service Area Expansion Section 5317 - New Freedom	20.521	Note G	7/29/2014	740,500	112,177	*
<u>Pass-through grantor program title</u>						
<u>U.S. Department of Transportation</u>						
Pass through from Los Angeles County Metropolitan Transportation Authority - Section 5310 Grant - Enhanced Mobility of Seniors and Individual with Disabilities Program	20.513	Note H	3/4/2016	7,072,604	6,899,484	*
Pass through from Los Angeles County Metropolitan Transportation Authority - Service Area Expansion Section 5317 - New Freedom	20.521	Note I	1/1/2017	218,000	7,990	*
Total				$ 83,130,847	$ 73,369,527	

***** *These Grants are Identifed as Part of the Transit Services Program Cluster. Total Federal Awards Expanded for the Cluster are $73,369,527.*

Notes to Schedule of Expenditures of Federal Awards:

Note A – The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Access Services under programs of the federal government for the year ended June 30, 2017. 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 Access Services, it is not intended to and does not present the financial position, changes in net assets or cash flows of Access Services.

Note B – 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 and/or OMB Circular A122, *Cost Principles for Non-profit Organizations,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Access Services has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D – Program awards were granted under Federal project number CA-2016-012-00 for total cost reimbursement of $71,501,186 with an 11.47% local match, netting to $63,300,000 federal share of the award. During the fiscal year ending June 30, 2017, all of these funds were expended on contract number CA-2016-012-00.

Note E – Program awards were granted under Federal project number CA-57-X049-00 New Freedom Grants for total cost reimbursement of $2,658,180 with a local match of 20% for capital and 50% for operating expenditures, netting to $1,405,980 federal share of the award. At June 30, 2017, Access Services had expended $1,326,308 of funds of which, $214,556 was expended during the year ended June 30, 2017.

Note F – Program awards were granted under Federal project number CA-37-X125-00 Job Access – Reverse Commute (JARC) Grant for total cost reimbursement of $4,474,342 with a local match of 20% for capital and 50% for operating expenditure, netting to $2,943,671 federal share of the award. During the year ended June 30, 2014, this grant was amended to increase the total grant amount by $7,450,092 to total funding of $10,393,763 for this program. At June 30, 2017, Access Services had expended $8,839,003 of funds of which, $2,835,320 was expended during the year ended June 30, 2017.

Note G – Access Services received program awards granted under Federal project number CA-57-X104-00 Service Area Expansion for FTA Section 5317 New Freedom Grant. The total cost of the project is $1,481,000 with a local match of 50% netting, federal share of $740,500. At of June 30, 2017, Access Services had expended $116,350 of funds of which, $112,177 was expended during the year ended June 30, 2017.

Note H – Access Services received program awards granted under Federal project number CA-16-X067 Enhanced Mobility of Seniors and Individuals with Disabilities Program for FTA Section 5310 Grant. The total cost of the project is $7,175,469 with a local match of 1.43% or a net federal share of $7,072,604. Access Services had expended $6,899,484 of the grant during the year ended June 30, 2017.

Note I – Access Services received program awards granted under the Federal project number CA-57-X100-01 Service Area Expansion for FTA Section 517 New Freedom Grant. The total cost of the project is $436,000 with a local match of 50% or a net federal share of $218,000. Access Services had expended $7,990 of the grant during the year ended June 30, 2017.

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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
Access Services
El Monte, California

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 Access Services (a nonprofit public benefit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Access Services' 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 Access Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Access Services' 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Please see finding 2017-001.

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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*
(continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Access Services' 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.*

Access Services' Response to Findings

Access Services' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Access Services' response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rossi LLP

Long Beach, California
January 10, 2018

Rossi LLP rossillp.com
Certified Public Accountants
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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
Access Services
El Monte, California

Report on Compliance for Each Major Federal Program

We have audited Access Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Access Services' major federal programs for the year ended June 30, 2017. Access Services' 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 Access Services' 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 Access Services' 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 Access Services' compliance.

Opinion on Each Major Federal Program

In our opinion, Access Services 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 June 30, 2017.

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

Report on Internal Control over Compliance

Management of Access Services 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 Access Services' 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 Access Services' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

Rossi LLP

Long Beach, California
January 10, 2018

For the year ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified opinion	
Internal control over financial reporting:		
• Material weaknesses identified?	☐ Yes	☒ No
• Significant deficiencies identified that are not considered to be material weaknesses?	☒ Yes	☐ No
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	☐ Yes	☒ No
• Significant deficiencies identified that are not considered to be material weaknesses?	☐ Yes	☒ No
Type of auditor's report issued on compliance for major federal award programs:	Unmodified opinion	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)?	☐ Yes	☒ No

Audited as Major Program:

CFDA Numbers	***Name of Federal Program or Cluster***
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities - Section 5310 Grant – Transit Services Programs Cluster
20.516	Access to Work – JARC Program – Transit Services Programs Cluster
20.521	New Freedom Program – Transit Services Programs Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$ 2,201,086	
Auditee qualified as low-risk auditee?	☒ Yes	☐ No

For the year ended June 30, 2017

FINANCIAL STATEMENT FINDINGS

U.S. Department of Transportation

2017-001 – Surface Transportation Program Local Regional Section 5310 Grant

Condition and Criteria:
We noted the following when testing whether Access Services had followed its policy of approval of payments made to service providers:

a. Five checks were issued without proper approval from either the Treasurer, Chairman or Vice Chairman of the Board.
b. One check had only one authorized approval.

The Organization's internal control policy over disbursements states that, cash disbursements in excess of $50,000 be approved by either the Treasurer, Chairman or Vice Chairman of the Board and either the Executive Director, Director of Finance or Director of Operations.

Effect:
The Organization could issue checks without proper authorization, creating the possibility for improper disbursements.

Cause:
We noted the following causes of the above conditions:

a. On the five checks issued without approval of the Treasurer, Chairman or Vice Chairman of the Board, the Organization could not obtain the Treasurer's approval in a timely manner in order to issue the disbursement prior to the vendor payment becoming past due. It has been a practice of the Organization to have the Treasurer approve disbursements and sign checks, on behalf of the Organization.
b. The Manager of Information Technology inadvertently had overridden the approval process of one check. This appeared to be an isolated incident.

Recommendation:
We recommend that the Organization review its current disbursement policy and procedures and revise as necessary to ensure that proper approvals of disbursements are obtained, without compromising any checks and balances necessary for a sound system of internal control or causing vendor payments to not be issued in a timely manner.

Views of Responsible Officials and Planned Corrective Actions:
We agree with the finding and we will be reviewing existing disbursement policies and procedures to ensure business needs are met while adhering to best practices and complying with all system of internal control.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings and questioned costs.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no prior audit findings or recommendations.