

**CITY OF CHOWCHILLA
MEASURE "T" FUND**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2012**

**CITY OF CHOWCHILLA, CALIFORNIA
MEASURE "T" FUND
JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Madera County Transportation Commission
Madera, California

We have audited the accompanying financial statements of the Measure "T" Fund of the City of Chowchilla, California (City), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements pertaining to the Measure "T" Fund are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting as it relates to the Measure "T" Fund. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Measure "T" Fund of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Measure "T" Fund of the City as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013, on our consideration of the City's internal control over financial reporting as it relates to the Measure "T" Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide

an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the management's discussion and analysis (MD&A) that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 through 11 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure "T" Fund's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary 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.

Price Pange & Company

Clovis, California
September 13, 2013

FINANCIAL STATEMENTS

**CITY OF CHOWCHILLA, CALIFORNIA
MEASURE "T" FUND
BALANCE SHEET
JUNE 30, 2012**

Assets

Current Assets:

Cash	\$ 1,015,410
Due from MCTA	<u>109,306</u>

Total assets	<u>\$ 1,124,716</u>
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Liabilities and Fund Balances

Current Liabilities:

Accounts payable	\$ 124,512
Deferred revenue	<u>109,306</u>

Total current liabilities	<u>233,818</u>
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Fund Balances:

Restricted for Highway and Streets	<u>890,898</u>
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Total liabilities and fund balances	<u>\$ 1,124,716</u>
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The accompanying notes are an integral part of this statement.

**CITY OF CHOWCHILLA, CALIFORNIA
 MEASURE "T" FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012**

Revenues:	
Intergovernmental	\$ 419,461
Interest	<u>3,788</u>
Total revenues	<u>423,249</u>
Expenditures:	
Current:	
Highway and streets	440,351
Debt Services:	
Principal	157,500
Interest expense	<u>6,583</u>
Total expenditures	<u>604,434</u>
Net change in fund balance	(181,185)
Fund balances, beginning of year	<u>1,072,083</u>
Fund balances, end of year	<u><u>\$ 890,898</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF CHOWCHILLA, CALIFORNIA
MEASURE "T" FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING INFORMATION

Description of Reporting Entity

The accompanying financial statements present only the Measure "T" Transportation Sales Tax Fund as recorded in the Measure "T" Fund of the City of Chowchilla (Measure "T" Fund) and are not intended to present fairly the financial position, change in financial position or cash flows of the City of Chowchilla with accounting principles generally accepted in the United States of America.

Basis of Accounting and Measurement Focus

The financial statements of the Measure "T" Fund have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Measure "T" Fund's accounting policies are described below.

The Measure "T" Fund is a governmental fund specifically categorized as a special revenue fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Governmental funds are accounted for on a spending of "current financial resources" measurement focus and the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Measure "T" Fund are intergovernmental revenues. Expenditures are recorded in the accompanying period in which the related fund liability is incurred.

Intergovernmental revenues (primarily grants and subventions), which are received as reimbursement for specific purposes or projects, are recognized based upon the expenditures recorded. Intergovernmental revenues, which are usually unrestricted as to use and are revocable only for failure to meet prescribed compliance requirements, are reflected as revenues at the time of receipt or earlier, if they meet the availability criterion.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Due from Madera County Transportation Authority (MCTA) / Deferred Revenue

Costs incurred during the current reporting period may not be funded from current year allocations until after the beginning of the next fiscal year. These amounts, if any, are reported as receivables in the financial statements. The Measure "T" Funds due from MCTA in the amount of \$109,306, as of June 30, 2012, are the final disbursement of the fiscal year 2011-12 Measure "T" allocation.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. The City received the final disbursement of fiscal year 2011-12 Measure "T" monies after the available period (60 days after year-end).

**CITY OF CHOWCHILLA, CALIFORNIA
MEASURE "T" FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING INFORMATION (Continued)

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance

Amounts cannot be spent either because they are in nonspendable form (such as inventory or prepaid expense, and long-term loans and notes receivable) or because they are legally or contractually required to be maintained intact (such as principal of a permanent fund).

Restricted Fund Balance

Amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, contributors, or laws or regulations of other governments, etc.) or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by City Council, the City's highest level of decision-making authority, through an ordinance or resolution. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified uses through the same type of formal action taken to establish the commitment.

Assigned Fund Balance

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. For all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed must be designated as assigned fund balance.

Unassigned Fund Balance

This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City.

The City would typically use restricted fund balances first, followed by committee resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to deter the use of these other classified funds.

NOTE 2 – CASH AND INVESTMENTS

The Measure "T" Fund participates in the City's cash and investments pool that includes all other City funds, which the City Treasurer invests to enhance interest earnings. Income from the investment of pooled cash is allocated on a quarterly basis, based upon the actual daily balance of the fund as a percentage of the total pooled cash balance.

**CITY OF CHOWCHILLA, CALIFORNIA
MEASURE "T" FUND
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – CASH AND INVESTMENTS (Continued)

The City participates in an investment pool managed by the State of California, titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Assets-Backed Securities. The City values all of its cash and investments at fair value on a portfolio basis. The City manages its pooled idle cash and investments under a formal investment policy that is adopted and reviewed by the City Council, and that follows the guidelines of the State of California Government Code.

Citywide information concerning cash and investments for the year ended June 30, 2012, including authorized investments, custodial credit risk, credit and interest rate risk for debt securities and concentration of investments, carrying amount and market value of deposits and investments, may be found in the notes of the City's Comprehensive Annual Financial Report.

NOTE 3 – LONG-TERM DEBT

The following is a summary of long-term transactions for the year ended June 30, 2012:

	<u>June 30, 2011</u>	<u>Reductions</u>	<u>June 30, 2012</u>
Measure T Interprogram Loan (MCTA)	\$ 1,260,000	\$ (157,500)	\$ 1,102,500
Total Long-Term Debt	<u>\$ 1,260,000</u>	<u>\$ (157,500)</u>	<u>\$ 1,102,500</u>

The City entered into a loan agreement in 2009, with the Madera County Transportation Authority to receive an advance of Measure "T" revenues. The loan is a lien on the City's portion of the Regional Rehabilitation/Reconstruction/Maintenance Program and Safe Routes to School and Job Program which are 4.71% of the total Measure "T" Sales Tax Revenues. Principal is payable annually on June 30 in the amount of \$157,500, plus interest payments calculated as the total principal outstanding times the average LAIF rate for the prior calendar year. The loan matures on June 30, 2019.

Annual debt service requirements to maturity of the Measure "T" Interprogram loan are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 157,500	\$ 4,823
2014	157,500	1,748
2015	157,500	-
2016	157,500	-
2017	157,500	-
2018-2019	<u>315,000</u>	<u>-</u>
	<u>\$ 1,102,500</u>	<u>\$ 6,571</u>

Long-term debt is not reported on the Balance Sheet which uses the "current financial resources" measurement focus and the modified accrual basis of accounting as required by the Generally Accepted Accounting Principles (GAAP). However, under the modified accrual basis of accounting, the principal and interest expense on the long-term debt is reported on the Statement of Revenues, Expenditures and Changes in Fund Balances.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CHOWCHILLA, CALIFORNIA
 MEASURE "T" FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 265,990	\$ 565,454	\$ 419,461	\$ (145,993)
Interest	<u>3,500</u>	<u>3,500</u>	<u>3,788</u>	<u>288</u>
Total revenues	<u>269,490</u>	<u>568,954</u>	<u>423,249</u>	<u>(145,705)</u>
Expenditures:				
Current:				
Highway and streets	1,846,364	1,360,621	440,351	920,270
Debt Services:				
Principal	157,500	157,500	157,500	-
Interest expense	<u>17,435</u>	<u>17,435</u>	<u>6,583</u>	<u>10,852</u>
Total expenditures	<u>2,021,299</u>	<u>1,535,556</u>	<u>604,434</u>	<u>931,122</u>
Net changes in fund balance	(1,751,809)	(966,602)	(181,185)	785,417
Fund balances, beginning of year	<u>1,072,083</u>	<u>1,072,083</u>	<u>1,072,083</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ (679,726)</u></u>	<u><u>\$ 105,481</u></u>	<u><u>\$ 890,898</u></u>	<u><u>\$ 785,417</u></u>

**CITY OF CHOWCHILLA, CALIFORNIA
MEASURE "T" FUND
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012**

A. BUDGETARY INFORMATION

The City establishes annual budgets for the Measure "T" Fund. Except for encumbrances and long-term projects in progress, which are carried forward to the following year, all appropriations remaining will lapse at year-end. The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules:

- 1) The department heads prepare a budget request based upon the current anticipated expenditures.
- 2) A meeting is held between the department heads, Finance Director and the City Administrator for the purpose of reviewing and prioritizing the budget requests.
- 3) The City Administrator submits the proposed City Budget to the City Council, who makes decisions regarding department budgets.
- 4) The approved budget is placed in the City's accounting system and monitored by the Finance Department, as well as by the department heads.

Department heads may, with the City Administrator's authorization, transfer amounts between line items which do not change the original operational budget appropriation limit of the department. The transfers between departments and funds require approval of the City Council.

- 5) Budgets are adopted on the modified accrual basis. Revenues are budgeted in the year in which receipt is expected, and expenditures are budgeted in the year in which the applicable purchase orders are to be made. Budgeted amounts are maintained as originally adopted until further amended as described above. The level of control (level at which expenditures may not exceed budget) is at the fund levels for the Measure "T" Fund.

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SUPPLEMENTARY INFORMATION

**CITY OF CHOWCHILLA, CALIFORNIA
 MEASURE "T" FUND
 SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS
 BY FUNDING SOURCE
 JUNE 30, 2012**

	Commute Corridors/ Farm to Market	Safe Routes to School and Jobs	Transit Enhancement	Environmental Enhancement	Fund Total
Assets					
Current Assets:					
Cash	\$ 315,470	\$ 656,534	\$ 16,277	\$ 27,129	\$ 1,015,410
Due from MCTA	<u>37,433</u>	<u>65,883</u>	<u>2,995</u>	<u>2,995</u>	<u>109,306</u>
Total assets	<u>\$ 352,903</u>	<u>\$ 722,417</u>	<u>\$ 19,272</u>	<u>\$ 30,124</u>	<u>\$ 1,124,716</u>
Liabilities and Fund Balances					
Current Liabilities:					
Accounts payable	\$ 124,512	\$ -	\$ -	\$ -	\$ 124,512
Deferred revenue	<u>37,433</u>	<u>65,883</u>	<u>2,995</u>	<u>2,995</u>	<u>109,306</u>
Total current liabilities	<u>161,945</u>	<u>65,883</u>	<u>2,995</u>	<u>2,995</u>	<u>233,818</u>
Fund Balances:					
Restricted for Highway and Streets	<u>190,958</u>	<u>656,534</u>	<u>16,277</u>	<u>27,129</u>	<u>890,898</u>
Total liabilities and fund balances	<u>\$ 352,903</u>	<u>\$ 722,417</u>	<u>\$ 19,272</u>	<u>\$ 30,124</u>	<u>\$ 1,124,716</u>

**CITY OF CHOWCHILLA, CALIFORNIA
 MEASURE "T" FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BY FUNDING SOURCE
 FOR THE YEAR ENDED JUNE 30, 2012**

	Commuter Corridors/ Farm to Market	Safe Routes to School and Jobs	Transit Enhancement	Environmental Enhancement	Fund Total
Revenues:					
Intergovernmental	\$ 143,648	\$ 252,821	\$ 11,500	\$ 11,492	\$ 419,461
Interest	<u>2,235</u>	<u>1,553</u>	<u>-</u>	<u>-</u>	<u>3,788</u>
Total revenues	<u>145,883</u>	<u>254,374</u>	<u>11,500</u>	<u>11,492</u>	<u>423,249</u>
Expenditures:					
Current:					
Highway and streets	255,025	185,326	-	-	440,351
Debt Services:					
Principal	93,065	64,435	-	-	157,500
Interest expense	<u>3,890</u>	<u>2,693</u>	<u>-</u>	<u>-</u>	<u>6,583</u>
Total expenditures	<u>351,980</u>	<u>252,454</u>	<u>-</u>	<u>-</u>	<u>604,434</u>
Net changes in fund balances	(206,097)	1,920	11,500	11,492	(181,185)
Fund balances, beginning of year	<u>397,055</u>	<u>654,614</u>	<u>4,777</u>	<u>15,637</u>	<u>1,072,083</u>
Fund balances, end of year	<u>\$ 190,958</u>	<u>\$ 656,534</u>	<u>\$ 16,277</u>	<u>\$ 27,129</u>	<u>\$ 890,898</u>

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OTHER REPORT

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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 AND THE RULES AND
REGULATIONS OF THE MEASURE "T" ENABLING LEGISLATION

To the Board of Commissioners
Madera County Transportation Commission
Madera, California

We have audited the financial statements of the Measure "T" Fund of the City of Chowchilla, California (City) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 13, 2013, which included an explanatory paragraph describing that the financial statements only present the Measure "T" Fund. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as it relates to the Measure "T" Fund as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 City's Measure "T" Fund financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure "T" Fund financial statements are free of 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. Our audit was further made to determine that allocations made and expended by the

City were made in accordance with the Measure "T" Enabling Legislation. 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*.

This report is intended solely for the information and use of management and the City Council of the City of Chowchilla and the Madera County Transportation Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Price Pange & Company

Clovis, California
September 13, 2013