

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

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

**FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019**

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
JUNE 30, 2020 AND 2019**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Funds (TDA Funds) of the City of Madera, California (the City), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the TDA Funds' 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 City'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 City's internal control as it relates to the TDA Funds. 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Funds of the City, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds of the City and do not purport to, and do not present fairly the financial position of the City as of June 30, 2020 and 2019, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the 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 20-22 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2021, on our consideration of the City's internal control over financial reporting as it relates to the TDA Funds 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 the City'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 City's internal control over financial reporting and compliance as it relates to the TDA Funds.

Price Pange & Company

Clovis, California
June 3, 2021

FINANCIAL STATEMENTS

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Special Revenue Funds		
	Street Construction	Intermodal Building Operations	Total
ASSETS			
Prepaid expenses	\$ 3,815	\$ -	\$ 3,815
Due from local government agencies	1,126,151	59,300	1,185,451
Total assets	\$ 1,129,966	\$ 59,300	\$ 1,189,266
LIABILITIES			
Accounts payable	\$ 52,629	\$ 5,042	\$ 57,671
Salaries payable	-	103	103
Due to General Fund	583,638	24,462	608,100
Unearned revenue	-	1,322	1,322
Total liabilities	636,267	30,929	667,196
FUND BALANCES			
Nonspendable	3,815	-	3,815
Restricted	489,884	28,371	518,255
Total fund balances	493,699	28,371	522,070
Total liabilities and fund balances	\$ 1,129,966	\$ 59,300	\$ 1,189,266

The accompanying notes are an integral part of this statement.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Special Revenue Funds		
	Street Construction	Intermodal Building Operations	Total
ASSETS			
Cash and investments	\$ 236,912	\$ 51,604	\$ 288,516
Prepaid expenses	-	27	27
Due from local government agencies	322,176	17,817	339,993
 Total assets	\$ 559,088	\$ 69,448	\$ 628,536
LIABILITIES			
Accounts payable	\$ 59,336	\$ 935	\$ 60,271
Salaries payable	-	53	53
Unearned revenue	-	40,054	40,054
 Total liabilities	59,336	41,042	100,378
FUND BALANCES			
Nonspendable	-	27	27
Restricted	499,752	28,379	528,131
 Total fund balances	499,752	28,406	528,158
 Total liabilities and fund balances	\$ 559,088	\$ 69,448	\$ 628,536

The accompanying notes are an integral part of this statement.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds		Total
	Street Construction	Intermodal Building Operations	
REVENUES			
Local transportation funds	\$ 1,277,961	\$ 23,258	\$ 1,301,219
Aid from other governmental agencies	-	51,847	51,847
Building rents and leases	-	11,469	11,469
Utility reimbursements	-	42,396	42,396
Total revenues	<u>1,277,961</u>	<u>128,970</u>	<u>1,406,931</u>
EXPENDITURES			
Street and road maintenance	768,662	-	768,662
Intermodal building improvements	-	77,941	77,941
Administrative	3,352	48,977	52,329
Total expenditures	<u>772,014</u>	<u>126,918</u>	<u>898,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>505,947</u>	<u>2,052</u>	<u>507,999</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(512,000)</u>	<u>(2,087)</u>	<u>(514,087)</u>
Total other financing sources (uses)	<u>(512,000)</u>	<u>(2,087)</u>	<u>(514,087)</u>
Change in fund balances	(6,053)	(35)	(6,088)
Fund balances - beginning	<u>499,752</u>	<u>28,406</u>	<u>528,158</u>
Fund balances - ending	<u>\$ 493,699</u>	<u>\$ 28,371</u>	<u>\$ 522,070</u>

The accompanying notes are an integral part of this statement.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds		Total
	Street Construction	Intermodal Building Operations	
REVENUES			
Local transportation funds	\$ 853,521	\$ 45,492	\$ 899,013
Aid from other governmental agencies	-	7,813	7,813
Building rents and leases	-	16,969	16,969
Utility reimbursements	-	12,284	12,284
Total revenues	<u>853,521</u>	<u>82,558</u>	<u>936,079</u>
EXPENDITURES			
Street and road maintenance	345,220	-	345,220
Intermodal building improvements	-	37,893	37,893
Administrative	888	44,467	45,355
Total expenditures	<u>346,108</u>	<u>82,360</u>	<u>428,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>507,413</u>	<u>198</u>	<u>507,611</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(512,000)</u>	<u>(244)</u>	<u>(512,244)</u>
Total other financing sources (uses)	<u>(512,000)</u>	<u>(244)</u>	<u>(512,244)</u>
Change in fund balances	(4,587)	(46)	(4,633)
Fund balances - beginning	<u>504,339</u>	<u>28,452</u>	<u>532,791</u>
Fund balances - ending	<u>\$ 499,752</u>	<u>\$ 28,406</u>	<u>\$ 528,158</u>

The accompanying notes are an integral part of this statement.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF NET POSITION
PROPRIETARY FUND - LOCAL TRANSIT FUND
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Current assets:		
Due from local governmental agencies	\$ 1,754,706	\$ 2,159,180
Prepaid expenses	26	-
Total current assets	1,754,732	2,159,180
Noncurrent assets:		
Capital assets, not depreciated	320,500	3,990,393
Capital assets, net of accumulated depreciation	8,166,454	1,035,480
Total noncurrent assets:	8,486,954	5,025,873
Total assets	10,241,686	7,185,053
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources related to pensions	113,508	124,614
Total deferred outflows of resources	113,508	124,614
LIABILITIES		
Current liabilities:		
Accounts payable	304,679	613,722
Salaries payable	5,087	9,526
Due to General Fund	1,439,092	1,501,556
Compensated absences, due within one year	16,064	17,604
Total current liabilities	1,764,922	2,142,408
Noncurrent liabilities:		
Compensated absences, due in more than one year	4,900	4,152
Net pension liability	465,236	454,088
Total noncurrent liabilities	470,136	458,240
Total liabilities	2,235,058	2,600,648
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	35,779	40,313
Total deferred inflows of resources	35,779	40,313
NET POSITION		
Net investment in capital assets	8,486,954	5,025,873
Unrestricted (deficit)	(402,597)	(357,167)
Total net position	\$ 8,084,357	\$ 4,668,706

The accompanying notes are an integral part of this statement.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND - LOCAL TRANSIT FUND
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019**

	2020	2019
Operating revenues:		
Charges for services	\$ 120,138	\$ 126,870
Other	-	39,684
Total operating revenues	120,138	166,554
Operating expenses:		
Salaries and benefits	251,853	328,458
General and administrative	1,811,275	1,646,413
Vehicle supplies and maintenance	165,918	196,738
Depreciation	174,743	149,454
Total operating expenses	2,403,789	2,321,063
Operating income (loss)	(2,283,651)	(2,154,509)
Nonoperating revenues (expenses):		
Interest income	2,780	3,231
Operating grants	2,930,377	2,056,658
Capital grants	2,524,414	2,133,288
Total nonoperating revenues (expenses)	5,457,571	4,193,177
Income (loss) before capital contributions and transfers	3,173,920	2,038,668
Capital contributions	298,731	-
Transfers out	(57,000)	(61,522)
Change in net position	3,415,651	1,977,146
Net position - beginning	4,668,706	2,691,560
Net position - ending	\$ 8,084,357	\$ 4,668,706

The accompanying notes are an integral part of this statement.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - LOCAL TRANSIT FUND
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019**

	2020	2019
Cash flows from operating activities:		
Receipts from customers and users	\$ 120,138	\$ 126,870
Payments to suppliers	(2,286,262)	(1,437,554)
Payments to employees	(239,364)	(275,692)
Receipts from other operating activities	-	39,684
Net cash provided (used) by operating activities	(2,405,488)	(1,546,692)
Cash flows from noncapital financing activities:		
Transfers from (to) other funds	(57,000)	(61,522)
Due from (to) other funds	(62,464)	906,504
Operating grants	3,334,851	719,127
Net cash provided (used) by noncapital financing activities	3,215,387	1,564,109
Cash flows from capital and related financing activities:		
Capital grants	2,524,414	2,133,288
Acquisition and construction of capital assets	(3,337,093)	(2,153,936)
Net cash provided (used) by capital and related financing activities	(812,679)	(20,648)
Cash flows from investing activities:		
Interest on investments	2,780	3,231
Net cash provided (used) by investing activities	2,780	3,231
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents - beginning	-	-
Cash and cash equivalents - ending	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (2,283,651)	\$ (2,154,509)
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	174,743	149,454
(Gain) loss on disposal of capital assets		
Changes in assets and liabilities:		
(Increase) decrease in prepaid expenses	(26)	877
(Increase) decrease in deferred outflows of resources from pensions	11,106	380
Increase (decrease) in accounts payable	(309,043)	404,720
Increase (decrease) in salaries payable	(4,439)	2,711
Increase (decrease) in deferred inflows of resources from pensions	(4,534)	38,925
Increase (decrease) in net pension liability	11,148	10,228
Increase (decrease) in compensated absences	(792)	522
Net cash provided (used) by operating activities	\$ (2,405,488)	\$ (1,546,692)
Noncash investing, capital, and financing activities:		
Developer and other capital contributions	\$ 298,731	\$ -

The accompanying notes are an integral part of this statement.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity

The accompanying financial statements present only the Transportation Development Act Funds of the City of Madera (TDA Funds) and are not intended to present fairly the financial position, changes in financial position, or cash flows of the City of Madera (the City) with accounting principles generally accepted in the United States of America.

Basis of Accounting and Measurement Focus

The financial statements of the TDA Funds 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 TDA Fund's accounting policies are described below.

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. The City considers revenue to be available if it is collected within 60 days after end of current fiscal period. Expenditures are recorded in the accompanying period in which the related fund liability is incurred.

The primary revenue sources, which have been treated as susceptible to accrual by the TDA Funds are Local Transportation Fund allocations and other intergovernmental revenues. Expenditures are recorded in the accompanying period in which the related fund liability is incurred.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for as a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Operating revenues in the enterprise fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

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 receipts or earlier, if they meet the availability criteria.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated assets are valued at their estimated fair market value on the date donated.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	25-30 years
Improvements	5-50 years
Equipment	4-15 years
Infrastructure	10-50 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, bridges, sidewalks, drainage systems, and lighting systems, etc. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the financial statements. The appropriate operating department maintains information regarding the subsystems.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction-related debt incurred during the period of construction for business-type and proprietary fund assets is capitalized as a cost of the constructed assets. Capital assets acquired under capital leases are capitalized at the net present value of the total lease payments.

Transfers Between Funds

With City Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund.

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is classified in the following categories:

- **Net investment in capital assets** – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- **Restricted net position** – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This category represents net amounts that do not meet the criteria for “restricted” or “net investment in capital assets”.

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

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 governmental fund financial statements are as follows:

Nonspendable

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned

This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the Finance Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned

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

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The various funds are grouped in the accompanying financial statements into fund types as follows:

Government Fund Type

Special Revenue Funds – Street Construction and Intermodal Building Operations Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Fund Type

Enterprise Fund – The Local Transit Fund is used to account for operations financed and operated similar to business activities such as services rendered to the general public on a fee basis. The fund records the costs of the City's Dial-A-Ride and fixed route service, Madera Metro.

Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures/expenses, assets, deferred outflows of resources, liabilities and deferred inflows of resources, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Due from Local Governmental Agencies

Claims made for reimbursement of costs incurred during the fiscal year have been accrued as due from the Madera County Transportation Commission or from other governmental agencies in the same fiscal year.

Payables

Certain costs are incurred by the City during the current period but are not paid until after the beginning of next fiscal period. These costs are reported as payables in the financial statements.

Unearned Revenue

Unearned revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrued basis of accounting. The City typically records intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

Due to General Fund

These amounts resulted from temporary reclassifications made at June 30, 2020 to cover cash shortfalls and reimbursement agreements.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 – CASH AND INVESTMENTS

Cash is pooled in the City's cash and investments. Income from the investment of pooled cash is allocated to the City on a monthly basis, based upon the actual daily balance of the fund as a percentage of the total pooled cash balance. Cash and investments consist of U.S. government-backed securities and investments in the State of California Local Agency Investment Fund, as well as banker acceptances, commercial paper and money market funds, and are not identified with any single fund of the City. The City values 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.

Investments are stated at fair value. The increase in the fair value of investments is recognized as an increase to the interest income revenue. The City normally holds investments to term; therefore, no realized gain/loss is recognized.

City-wide information concerning cash and investments for the years ended June 30, 2020 and 2019, 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 to the City's Financial Statements.

NOTE 3 – CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2020 is as follows:

	Balance <u>6/30/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>6/30/2020</u>
Capital assets not being depreciated:					
Land	\$ 320,500	\$ -	\$ -	\$ -	\$ 320,500
Construction in progress	<u>3,669,893</u>	<u>2,613,705</u>	<u>-</u>	<u>(6,283,598)</u>	<u>-</u>
Total capital assets not being depreciated:	<u>3,990,393</u>	<u>2,613,705</u>	<u>-</u>	<u>(6,283,598)</u>	<u>320,500</u>
Capital assets being depreciated:					
Buildings and improvements	66,737	-	-	-	66,737
Equipment	<u>3,169,447</u>	<u>1,022,119</u>	<u>(233,222)</u>	<u>6,283,598</u>	<u>10,241,942</u>
Total capital assets being depreciated	<u>3,236,184</u>	<u>1,022,119</u>	<u>(233,222)</u>	<u>6,283,598</u>	<u>10,308,679</u>
Less accumulated depreciation for:					
Buildings and improvements	42,644	32,531	-	-	75,175
Equipment	<u>2,158,060</u>	<u>142,212</u>	<u>(233,222)</u>	<u>-</u>	<u>2,067,050</u>
Total accumulated depreciation	<u>2,200,704</u>	<u>174,743</u>	<u>(233,222)</u>	<u>-</u>	<u>2,142,225</u>
Business-type activities capital assets, net	<u>\$ 5,025,873</u>	<u>\$ 3,461,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,486,954</u>

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 – CAPITAL ASSETS (Continued)

A summary of capital assets for the year ended June 30, 2019 is as follows:

	Balance <u>6/30/2018</u>	Additions	Deletions	Balance <u>6/30/2019</u>
Capital assets not being depreciated:				
Land	\$ 320,500	\$ -	\$ -	\$ 320,500
Construction in progress	<u>1,515,957</u>	<u>2,153,936</u>	<u>-</u>	<u>3,669,893</u>
 Total capital assets not being depreciated:	 <u>1,836,457</u>	 <u>2,153,936</u>	 <u>-</u>	 <u>3,990,393</u>
Capital assets being depreciated:				
Buildings and improvements	66,737	-	-	66,737
Equipment	<u>3,169,447</u>	<u>-</u>	<u>-</u>	<u>3,169,447</u>
 Total capital assets being depreciated	 <u>3,236,184</u>	 <u>-</u>	 <u>-</u>	 <u>3,236,184</u>
 Less accumulated depreciation for:				
Buildings and improvements	40,518	2,126	-	42,644
Equipment	<u>2,010,732</u>	<u>147,328</u>	<u>-</u>	<u>2,158,060</u>
 Total accumulated depreciation	 <u>2,051,250</u>	 <u>149,454</u>	 <u>-</u>	 <u>2,200,704</u>
 Business-type activities capital assets, net	 <u>\$ 3,021,391</u>	 <u>\$ 2,004,482</u>	 <u>\$ -</u>	 <u>\$ 5,025,873</u>

For the years ended June 30, 2020 and 2019, depreciation expense was \$174,743 and \$149,454, respectively.

NOTE 4 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and balance sheet 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in the proprietary funds for the years ended June 30, 2020 and 2019 was \$113,508 and \$124,614, respectively, are related to contributions to the pension plan.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the proprietary funds for the years ended June 30, 2020 and 2019 was \$35,779 and \$40,313, respectively, are related to the pension plan.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 – PENSION PLANS

The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, measured as of the City’s fiscal year-end or the City’s proportionate share thereof in the case of a cost-sharing multiple-employer plan. The amounts reported in the TDA Enterprise Fund as pension liability and the related deferred inflows and outflows represent that funds allocable share of the total City liability and deferred items. For a more comprehensive description of the City of Madera’s pension activity, refer to the respective footnote contained in the Comprehensive Annual Financial Report located on the City’s website.

NOTE 6 – FARE REVENUE RATIO

The City is required to maintain a minimum fare revenue to operating expenses ratio of 15% in accordance with the Transportation Development Act.

The calculation of the fare revenue ratio for Madera Metro and Dial-A-Ride (DAR) is as follows for the year ended June 30, 2020:

	<u>Madera Metro</u>	<u>DAR</u>	<u>Total</u>
Fares:			
Farebox revenues	\$ 81,501	\$ 38,637	\$ 120,138
Total fares	<u>81,501</u>	<u>38,637</u>	<u>120,138</u>
Operating costs	1,328,894	938,034	2,266,928
Less depreciation and capital outlay	<u>(83,813)</u>	<u>(77,174)</u>	<u>(160,987)</u>
Net operating costs	<u>\$ 1,245,081</u>	<u>\$ 860,860</u>	<u>\$ 2,105,941</u>
Fare revenue ratio	<u>6.5%</u>	<u>4.5%</u>	

The calculation of the fare revenue ratio for Madera Metro and Dial-A-Ride (DAR) is as follows for the year ended June 30, 2019:

	<u>Madera Metro</u>	<u>DAR</u>	<u>Total</u>
Fares:			
Farebox revenues	\$ 83,009	\$ 43,861	\$ 126,870
Total fares	<u>83,009</u>	<u>43,861</u>	<u>126,870</u>
Operating costs	1,337,630	1,059,720	2,397,350
Less depreciation and capital outlay	<u>(114,175)</u>	<u>(82,563)</u>	<u>(196,738)</u>
Net operating costs	<u>\$ 1,223,455</u>	<u>\$ 977,157</u>	<u>\$ 2,200,612</u>
Fare revenue ratio	<u>6.8%</u>	<u>4.5%</u>	

As of April 16, 2020, the City eliminated fares due to COVID-19, which therefore had an impact on fare collections. Although the City is required to maintain a fare revenue ratio of 15%, Assembly Bill 90 waived the fare revenue ratio penalty for operators not meeting the ratio requirement for the fiscal year ending June 30, 2020.

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 – CONTINGENCY

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus, COVID-19, a pandemic. Accordingly, some functions of the City's operations were limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
BUDGETARY COMPARISON SCHEDULE
STREET CONSTRUCTION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local transportation funds	\$ 1,082,259	\$ 1,082,259	\$ 1,277,961	\$ 195,702
Total revenues	<u>1,082,259</u>	<u>1,082,259</u>	<u>1,277,961</u>	<u>195,702</u>
EXPENDITURES				
Local transportation funds	1,148,207	4,467,785	768,662	3,699,123
Administrative	<u>-</u>	<u>3,500</u>	<u>3,352</u>	<u>148</u>
Total expenditures	<u>1,148,207</u>	<u>4,471,285</u>	<u>772,014</u>	<u>3,699,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(65,948)</u>	<u>(3,389,026)</u>	<u>505,947</u>	<u>3,894,973</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(512,000)</u>	<u>(512,000)</u>	<u>(512,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(512,000)</u>	<u>(512,000)</u>	<u>(512,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (577,948)</u>	<u>\$ (3,901,026)</u>	(6,053)	<u>\$ 3,894,973</u>
Fund balance - beginning			<u>499,752</u>	
Fund balance - ending			<u>\$ 493,699</u>	

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
BUDGETARY COMPARISON SCHEDULE
INTERMODAL BUILDING OPERATIONS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local transportation funds	\$ 63,410	\$ 63,410	\$ 23,258	\$ (40,152)
Aid from other governmental agencies	63,410	63,410	51,847	(11,563)
Building rents and leases	-	-	11,469	11,469
Utility reimbursements	-	-	42,396	42,396
	<u>126,820</u>	<u>126,820</u>	<u>128,970</u>	<u>2,150</u>
EXPENDITURES				
Intermodal building improvements	38,944	38,944	77,941	(38,997)
Administrative	71,586	64,656	48,977	15,679
	<u>110,530</u>	<u>103,600</u>	<u>126,918</u>	<u>(23,318)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,290</u>	<u>23,220</u>	<u>2,052</u>	<u>(21,168)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(2,087)	(2,087)
	<u>-</u>	<u>-</u>	<u>(2,087)</u>	<u>(2,087)</u>
Net change in fund balance	<u>\$ 16,290</u>	<u>\$ 23,220</u>	(35)	<u>\$ (23,255)</u>
Fund balance - beginning			<u>28,406</u>	
Fund balance - ending			<u>\$ 28,371</u>	

**CITY OF MADERA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

BUDGETARY INFORMATION

The City establishes annual budgets for the Special Revenue Funds. 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 previous year’s expenditures.
- 2) A meeting is held between the department heads, Finance Director and 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 receipt is expected, and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. Budgeted amounts are maintained as originally adopted and as further amended by the City Council. The level of control (level at which expenditures may not exceed budget) is at fund level for the Transportation Development Act Funds.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2020, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Intermodal building operations:	
Intermodal building improvements	\$ 38,997

OTHER REPORT

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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* AND THE TRANSPORTATION DEVELOPMENT ACT

To the Board of Commissioners
Madera County Transportation Commission
Madera, 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 the Transportation Development Act Funds (TDA Funds) of the City of Madera, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the TDA Funds' financial statements, and have issued our report thereon dated June 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control), as it relates to the TDA Funds, as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's TDA Funds 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's TDA Funds financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Our audit was further made to determine that TDA Funds allocated to and received by the City were expended in conformance with applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the Madera County Transportation Commission as required by Section 6666 and 6667 of Title 21 of the California Code of Regulations. 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* or the Transportation Development Act.

Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA)

In November 2006, California Voters passed a bond measure enacting the Highway Safety Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 million was set aside by the State, as instructed by statute, as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the fiscal year ended June 30, 2020, the City expensed \$557,904 of PTMISEA funding.

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 City's internal control or on compliance as it relates to the TDA Funds. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Price Pange & Company

Clovis, California
June 3, 2021