

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

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

**FOR THE YEAR ENDED  
JUNE 30, 2019**

**CITY OF CHOWCHILLA, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
JUNE 30, 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 (TDA) Funds of the City of Chowchilla, California (the City), as of and for the year ended June 30, 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 an opinion on these financial statements based on our audit. We conducted our audit 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. 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Development Act Funds of the City of Chowchilla, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the TDA Funds of the City of Chowchilla and do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 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 12-14 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 April 28, 2020, 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 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 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 the City's internal control over financial reporting and compliance as it relates to the TDA Funds.

*Price Paige & Company*

Clovis, California  
April 28, 2020

## FINANCIAL STATEMENTS

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

	<u>Street &amp; Road Fund</u>	<u>Transit Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 660,707	\$ -	\$ 660,707
Receivables:			
Due from LTF	252,972	411,173	664,145
Due from other governmental agencies	<u>4,021</u>	<u>-</u>	<u>4,021</u>
Total assets	<u>\$ 917,700</u>	<u>\$ 411,173</u>	<u>\$ 1,328,873</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 33,457	\$ 1,832	\$ 35,289
Due to other funds	<u>-</u>	<u>418,393</u>	<u>418,393</u>
Total liabilities	<u>33,457</u>	<u>420,225</u>	<u>453,682</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	<u>252,972</u>	<u>279,739</u>	<u>532,711</u>
Total deferred inflows of resources	<u>252,972</u>	<u>279,739</u>	<u>532,711</u>
<b>FUND BALANCES</b>			
Restricted for:			
Highways and streets	631,271	-	631,271
Unassigned	<u>-</u>	<u>(288,791)</u>	<u>(288,791)</u>
Total fund balances (deficit)	<u>631,271</u>	<u>(288,791)</u>	<u>342,480</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 917,700</u>	<u>\$ 411,173</u>	<u>\$ 1,328,873</u>

The accompanying notes are an integral part of these financial statements.

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

	Street & Road Fund	Transit Fund	Total
<b>REVENUES</b>			
LTF - non-transit allocations	\$ 95,033	\$ -	\$ 95,033
LTF - transit allocation claims	-	112,702	112,702
STA - transit allocation claims	-	92,443	92,443
Other transit revenues	-	786	786
Other non-transit revenues	26,778	-	26,778
Other intergovernmental revenues	-	73,334	73,334
Transit bus ticket sales	-	26,332	26,332
	<u>121,811</u>	<u>305,597</u>	<u>427,408</u>
Total revenues			
<b>EXPENDITURES</b>			
Transit capital improvement	-	45,579	45,579
Traffic signal maintenance	6,219	-	6,219
Street maintenance	796,258	-	796,258
Transit bus costs	-	967,415	967,415
	<u>802,477</u>	<u>1,012,994</u>	<u>1,815,471</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(680,666)</u>	<u>(707,397)</u>	<u>(1,388,063)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	982,043	497,358	1,479,401
Transfers out	<u>(149,992)</u>	<u>-</u>	<u>(149,992)</u>
Total other financing sources (uses)	<u>832,051</u>	<u>497,358</u>	<u>1,329,409</u>
Net change in fund balances	151,385	(210,039)	(58,654)
Fund balances (deficit) - beginning	<u>479,886</u>	<u>(78,752)</u>	<u>401,134</u>
Fund balances (deficit) - ending	<u>\$ 631,271</u>	<u>\$ (288,791)</u>	<u>\$ 342,480</u>

The accompanying notes are an integral part of these financial statements.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING INFORMATION**

**Description of Reporting Entity**

The accompanying financial statements present only the Transportation Development Act (TDA) Funds of the City of Chowchilla, California (the City) and are not intended to present fairly the financial position, changes in financial position, or cash flows of 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.

The TDA Funds are accounted for in governmental funds. 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 TDA Funds, are Local Transportation Fund (LTF) allocations and other intergovernmental revenues. Expenditures are recorded in the accompanying period in which the related fund 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.

The TDA Funds are governmental funds specifically categorized as special revenue funds and are used to account for the proceeds of specific revenue sources that are legally restricted to street and road, and community development expenditures.

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 restricted as to use, are revocable for failure to meet prescribed compliance requirements, are reflected as revenues at the time of receipts or earlier, if they meet the availability criteria.

**Use of Estimates**

The preparation of the 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.



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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Public Transportation Fund**

The City records the transit allocations of both the City of Chowchilla and the County of Madera for Chowchilla Area Transit Express (CATX) service in the Transit Fund. The CATX is a general public, curb-to-curb, demand-response system operated by the City of Chowchilla.

The City and County's agreement to fund costs of the CATX service provides for the County to reimburse the City at a fixed rate per annum.

The City collects fare proceeds and has allocated them to the County based upon the terms of the Inter-Agency Agreement.

The City submits requests for reimbursement of costs, net of transit revenues, to the Madera County Transportation Commission (Madera CTC) on behalf of both the City and County.

**Due from Other Governmental Agencies**

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

**Unavailable Revenue**

In the fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations. Typical transactions for which unavailable revenue is recorded are grants when funding requirements have been met, but the related funding is not yet available.

**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.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Balance Classification** (Continued)

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**

TDA Funds participate in the City's cash and investments pool that includes all other City funds, which the City Treasurer invests to enhance interest earnings. Interest income from the investment of pooled cash is allocated on an accounting basis based on the period-end cash and investment balance of the fund as a percentage of the total pooled cash balance.

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, 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.

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

**NOTE 3 – 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 the 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, 2019, the TDA Funds did not expend any PTMISEA funding.

**NOTE 4 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position 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. The TDA Funds do not have any items to report as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a 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. The TDA Funds have only one type, unavailable revenues, which totaled \$252,972 and \$279,739 for the Street & Road Fund and Transit Fund respectively, as of June 30, 2019.

**NOTE 5 – TRANSFERS**

Transfers for the year ended June 30, 2019 are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Street and Road Fund	\$ 982,043 <sup>(1)</sup>	\$ 149,992 <sup>(2)</sup>
Transit Fund	497,358 <sup>(3)</sup>	-
Total	<u>\$ 1,479,401</u>	<u>\$ 149,992</u>

(1) Gas Tax Fund transferred \$138,413 to the Streets and Roads Fund for street maintenance and operational costs. The Debt Service Fund transferred \$539,857 to the Streets and Road Fund to cover pension obligation costs. The Measure T Fund transferred \$303,763 to the Street and Roads Fund for street maintenance and operational costs. \$10 was transferred from Robertson & 11th Street Capital Project Fund to close out the fund.

(2) Streets and Roads transferred \$149,992 to the Debt Service Funds for the PFA Streets debt service payment.

(3) The Debt Service Fund transferred \$497,358 to the Transit Fund to cover pension obligation costs.

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

**NOTE 6 – FARE BOX RATIO**

The fare box ratio for the year ended June 30, 2019 was 5.68%.

**NOTE 7 – DEFICIT FUND BALANCE – TRANSIT FUND**

A deficit fund balance at June 30, 2019 in the amount \$288,791 was due mostly to the fact that revenues were recorded but not received within 60 days from the end of the year and, therefore, were treated as unavailable revenue in the financial statements.

**NOTE 8 – SUBSEQUENT EVENT**

On March 11, 2020 the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, the State of California issued a shelter in-place order and the temporary closure of all businesses deemed to be nonessential. Accordingly, there will be a contraction of the national, state and City's economy, which will potentially result in a reduction and/or delay of the receipt of tax revenues. While the City expects there to potentially be a negative financial impact, since the duration and impact is unknown, management is unable to reasonably quantify the effect on future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CHOWCHILLA, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
STREET & ROAD FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
LTF non-transit allocations	\$ 189,168	\$ 189,168	\$ 95,033	\$ (94,135)
Other non-transit revenues	<u>326,490</u>	<u>326,490</u>	<u>26,778</u>	<u>(299,712)</u>
Total revenues	<u>515,658</u>	<u>515,658</u>	<u>121,811</u>	<u>(393,847)</u>
<b>EXPENDITURES</b>				
Traffic signal maintenance	7,100	7,500	6,219	1,281
Street maintenance	<u>1,741,507</u>	<u>1,420,515</u>	<u>796,258</u>	<u>624,257</u>
Total expenditures	<u>1,748,607</u>	<u>1,428,015</u>	<u>802,477</u>	<u>625,538</u>
Excess of revenues over (under) expenditures	<u>(1,232,949)</u>	<u>(912,357)</u>	<u>(680,666)</u>	<u>231,691</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	722,820	1,262,688	982,043	(280,645)
Transfers out	<u>(150,236)</u>	<u>(150,236)</u>	<u>(149,992)</u>	<u>244</u>
Total other financing sources (uses)	<u>572,584</u>	<u>1,112,452</u>	<u>832,051</u>	<u>(280,401)</u>
Net changes in fund balances	<u>\$ (660,365)</u>	<u>\$ 200,095</u>	151,385	<u>\$ (48,710)</u>
Fund balance (deficit) - beginning			<u>479,886</u>	
Fund balance (deficit) - ending			<u>\$ 631,271</u>	

**CITY OF CHOWCHILLA, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
TRANSIT FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
LTF - non-transit allocations	\$ 17,520	\$ 17,520	\$ -	\$ (17,520)
LTF - transit allocation claims	309,432	309,432	112,702	(196,730)
STA - transit allocation claims	92,443	92,443	92,443	-
Other transit revenues	1,000	1,000	786	(214)
Other intergovernmental revenues	167,254	167,254	73,334	(93,920)
Transit bus ticket sales	<u>19,600</u>	<u>19,600</u>	<u>26,332</u>	<u>6,732</u>
Total revenues	<u>607,249</u>	<u>607,249</u>	<u>305,597</u>	<u>(301,652)</u>
<b>EXPENDITURES</b>				
Transit capital improvement	-	45,748	45,579	169
Transit bus costs	<u>607,250</u>	<u>1,051,081</u>	<u>967,415</u>	<u>83,666</u>
Total expenditures	<u>607,250</u>	<u>1,096,829</u>	<u>1,012,994</u>	<u>83,835</u>
Excess of revenues over (under) expenditures	<u>(1)</u>	<u>(489,580)</u>	<u>(707,397)</u>	<u>(217,817)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>497,358</u>	<u>497,358</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>497,358</u>	<u>497,358</u>	<u>-</u>
Net changes in fund balances	<u>\$ (1)</u>	<u>\$ 7,778</u>	<u>(210,039)</u>	<u>\$ (217,817)</u>
Fund balance (deficit) - beginning			<u>(78,752)</u>	
Fund balance (deficit) - ending			<u>\$ (288,791)</u>	

**CITY OF CHOWCHILLA, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019**

**BUDGETARY INFORMATION**

The City of Chowchilla, California (the City) establishes annual budgets for the Transportation Development Act (TDA) 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 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 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 TDA Funds.



## 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 (TDA) Funds of the City of Chowchilla, California (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the TDA Funds' financial statements, and have issued our report thereon dated April 28, 2020, which included an explanatory paragraph describing that the financial statements only present the City's TDA Funds.

**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 City's TDA Funds, to determine the 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 determination of financial statement amounts. 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 Sections 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* and 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, 2019, the City did not expend any 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.



Clovis, California  
April 28, 2020