

**MADERA COUNTY TRANSPORTATION
COMMISSION**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2010**

MADERA COUNTY TRANSPORTATION COMMISSION

JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera County Transportation Commission (the Commission), as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 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 Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows 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 10, 2011, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. The combining and individual non-major fund financial statements and schedules, and the supplementary schedules and other reports sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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. The Other Schedules as listed in the table of contents, except for those listed above, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Price Pange & Company

Clovis, California
September 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MADERA COUNTY TRANSPORTATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

As management of the Madera County Transportation Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2010. We encourage the readers to consider the information presented here in conjunction with the Commission's financial audit.

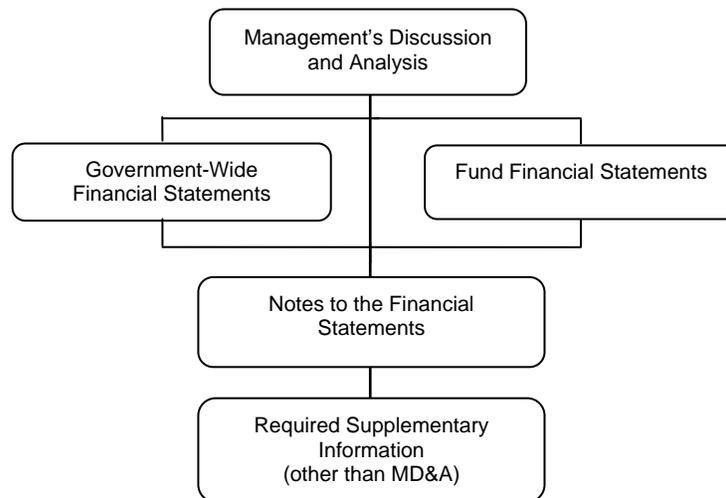
Financial Highlights

- ◆ The assets of the Commission exceeded its liabilities at the close of the fiscal year by \$979,616 (net assets).
- ◆ The Commission's total net assets for the fiscal year ended June 30, 2010 increased by \$161,975 primarily due to lower than expected expenditures and a prior period adjustment.
- ◆ As of the close of the current fiscal year, the Commission's governmental funds reported combined ending net asset balances of \$1,000,212, an increase of \$197,960 in comparison with the prior year. Approximately \$1,000,212 is available for spending at the Commission's discretion (unreserved/unrestricted fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). This report also contains other supplementary information in addition to the basic financial statements themselves.

**Required Components of Annual Financial Report
Figure 1**



**MADERA COUNTY TRANSPORTATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Basic Financial Statements

The first two statements in the basic financial statements are **Government-Wide Financial Statements**. They provide both short and long-term information about the Commission's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Commission's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements and 2) the fiduciary and agency fund statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplementary information** is provided to show details about the Commission's non-major governmental funds which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business, and consist of the following two statements:

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

The statement of activities presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, the revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report on the function of the Commission that is principally supported by local, state, and federal funding. The Commission's function is to foster intergovernmental coordination; undertake comprehensive regional planning with an emphasis on transportation issues; provide a forum for citizen input into the planning process; and to provide technical services to its member agencies (City of Madera, County of Madera, and the City of Chowchilla). In all these activities of the Commission works to develop a consensus among its members with regards to multi-jurisdictional transportation issues.

The government-wide financial statements can be found on pages 12 to 13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Madera County Transportation Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**MADERA COUNTY TRANSPORTATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, tax revenue fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Trust Funds. Trust funds are used to account for resources held for the benefit of parties outside the Commission. The Commission has four trust funds (STA, LTF, RSTP, and PTMISEA). Trust funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Commission's programs.

The basic trust fund financial statements can be found on pages 20 through 21 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 34 of this report.

Other Information. This report also presents certain required supplemental information concerning compliance with the Commission's annual budget for the general fund which is the Commission's main operating fund. This information and associated notes immediately follow the basic financial statements and their accompanying notes.

**MADERA COUNTY TRANSPORTATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Government-Wide Financial Analysis

Following are the government-wide financial statements for the fiscal year ended June 30, 2010:

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$979,616 at the close of the fiscal year 2009-2010.

At the end of the current fiscal year, the Commission reported a positive balance in net assets for the Commission as a whole and two of the three other net assets components.

**MCTC Net Assets
Figure 2**

	2010	2009	Change
<u>ASSETS</u>			
Assets:			
Current and other assets	\$ 1,217,365	\$ 1,005,732	21%
Capital assets, net	23,201	15,389	51%
Total assets	\$ 1,240,566	\$ 1,021,121	
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Current liabilities	\$ 260,950	\$ 167,794	56%
Long-term liabilities	-	35,686	-100%
Total liabilities	260,950	203,480	
Net assets:			
Invested in capital assets, net of related debt	23,201	15,389	51%
Unrestricted	956,415	802,252	19%
Total net assets	\$ 979,616	\$ 817,641	
Total liabilities and net assets	\$ 1,240,566	\$ 1,021,121	

**MADERA COUNTY TRANSPORTATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

**MCTC Changes in Net Assets
Figure 3**

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 913,376	\$ 914,956	0%
General revenues:			
Investment income	<u>8,624</u>	<u>13,883</u>	-38%
Total revenues	<u>922,000</u>	<u>928,839</u>	
Expenses:			
Transportation planning	<u>834,731</u>	<u>765,299</u>	9%
Total expenses	<u>834,731</u>	<u>765,299</u>	9%
Change in net assets	87,269	163,540	-47%
Net assets - beginning	817,641	654,101	25%
Prior period adjustments	<u>74,706</u>	<u>-</u>	100%
Net assets - ending	<u>\$ 979,616</u>	<u>\$ 817,641</u>	20%

Governmental Activities: The Commission's net assets increased by \$161,975 for the fiscal year ended June 30, 2010. The Figure 3 table above indicates the changes in net assets for governmental activities. The key elements of this increase are primarily attributable to an increase in net income of \$87,269, as well as the recording of a prior period adjustment of \$74,706 (see Note 13). Budget and fund financial statements reflect the modified accrual basis of accounting under U.S. generally accepted accounting principles. Under this approach, capital assets purchased and debt principal payments are recorded as expenditures. Further, revenues are accrued if measurable and available within the Commission's availability period established at 90 days. Conversely, the statement of activities is reported under the accrual basis of accounting, which capitalizes capital asset purchases, reduces liabilities by principal payments and recognizes revenues collected after the 90-day period.

The Commission's Funds

As the Commission completed this year, our governmental funds reported a combined fund balance of \$1,000,212, which is an increase of \$197,960 from last year due to lower than budgeted expenditures and prior period adjustments of \$110,392.

General Fund Budgetary Highlights

During the fiscal year, the Commission has revised the budget on two occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

**MADERA COUNTY TRANSPORTATION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

The Commission adopts an annual budget for its General Fund. The budget is a legally adopted document that incorporates input from the Technical Advisory Committee, the management of the Commission, and the decisions of the Policy Board about which services to provide and how to pay for them. It also authorizes the Commission to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Commission complied with the budget ordinance whether or not the Commission succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting.

During the year there was a \$394,405 decrease in revenue between the original budget and the final budget for the General Fund primarily as a result of delaying the modeling contract update. Actual revenues were more than the final budget by \$46,805 and expenditures were less than the final budget by \$50,572. The net effect of these differences results in a change in fund balance in the general fund of \$97,377.

Long-Term Obligations

At the end of 2010, the Commission had \$43,797 in debt outstanding. The debt consisted of compensated absences (see Note 8).

Contacting Madera County Transportation Commission's Financial Manager

This financial report is designed to provide federal and state oversight agencies, taxpayers and creditors with a general overview of Madera County Transportation Commission's finances and to demonstrate Madera County Transportation Commission's accountability for the money it receives. Additional financial information can be obtained by contacting Patricia S. Taylor, Executive Director, Madera County Transportation Commission, 2001 Howard Road, Suite 201, Madera, California 93637.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**MADERA COUNTY TRANSPORTATION COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 790,331
Due from other governments	427,034
Total current assets	1,217,365
Non-current assets:	
Depreciable capital assets	73,606
Accumulated depreciation	(50,405)
Total non-current assets	23,201
Total assets	\$ 1,240,566
<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Accounts payable	\$ 19,424
Deferred revenue	197,729
Compensated absences	43,797
Total current liabilities	260,950
Net assets:	
Invested in capital assets, net of related debt	23,201
Unrestricted	956,415
Total net assets	979,616
Total liabilities and net assets	\$ 1,240,566

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

**MADERA COUNTY TRANSPORTATION COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:				
Governmental activities:				
Transportation planning	\$ 834,731	\$ -	\$ 913,376	\$ 78,645
Total primary government	<u>\$ 834,731</u>	<u>\$ -</u>	<u>\$ 913,376</u>	<u>78,645</u>
				General revenues:
				Investment income
				<u>8,624</u>
				Total general revenues
				<u>8,624</u>
				Change in net assets
				87,269
				Net assets - beginning
				817,641
				Prior period adjustments
				<u>74,706</u>
				Net assets - ending
				<u>\$ 979,616</u>

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

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FUND FINANCIAL STATEMENTS

**MADERA COUNTY TRANSPORTATION COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General Fund</u>
<u>ASSETS</u>	
Assets:	
Cash and investments	\$ 790,331
Due from other governments	<u>427,034</u>
Total assets	<u>\$ 1,217,365</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable	\$ 19,424
Deferred revenue	<u>197,729</u>
Total liabilities	<u>217,153</u>
Fund balance:	
Unreserved - Undesignated	<u>1,000,212</u>
Total fund balance	<u>1,000,212</u>
Total liabilities and fund balance	<u>\$ 1,217,365</u>

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

**MADERA COUNTY TRANSPORTATION COMMISSION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Fund balance - governmental funds	\$ 1,000,212
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental	23,201
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(43,797)</u>
Net assets - governmental activities	<u>\$ 979,616</u>

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

**MADERA COUNTY TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>
Revenues:	
Aid from federal government	\$ 512,451
Aid from state government	136,671
Aid from local government	264,254
Interest revenue	8,624
Total revenues	922,000
Expenditures:	
Current:	
General government:	
Salaries and benefits	568,900
Planning and administration	125,764
Supplies and services	127,414
Capital outlay	12,354
Total expenditures	834,432
Net change in fund balance	87,568
Fund balance at beginning of year	802,252
Prior period adjustments	110,392
Fund balance at end of year	\$ 1,000,212

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

**MADERA COUNTY TRANSPORTATION COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Total net change in fund balance - governmental funds \$ 87,568

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.

Capital outlay	\$	12,354	
Depreciation expense		<u>(4,542)</u>	7,812

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (8,111)

Change in net assets of governmental activities \$ 87,269

**MADERA COUNTY TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
SPECIAL PURPOSE TRUST FUNDS
JUNE 30, 2010**

	<u>Trust Funds</u>
 <u>ASSETS</u>	
Cash and investments	\$ 6,174,658
Due from other governments	440,300
Due from other funds	30,126
Total assets	\$ 6,645,084
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Due to local agencies	\$ 879,588
Due to other funds	30,126
Total liabilities	909,714
Net assets:	
Held in trust for other governments	\$ 5,735,370

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

**MADERA COUNTY TRANSPORTATION COMMISSION
STATEMENT CHANGES IN FIDUCIARY NET ASSETS
SPECIAL PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Trust Funds
Additions:	
Sales tax	\$ 2,970,040
Aid from state government	1,051,529
Interest revenue	77,960
Total additions	4,099,529
Deductions:	
Administration expense	178,936
LTF claims paid	3,559,723
STA distributions	-
PTMISEA distributions	9,900
Total deductions	3,748,559
Changes in net assets	350,969
Net assets - beginning	5,558,760
Prior period adjustments	(174,359)
Net assets - ending	\$ 5,735,370

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Financial Reporting Entity

The Madera County Transportation Commission (the “Commission”) is the Regional Transportation Planning Agency for Madera County. The Commission’s members are the County of Madera, City of Madera, and the City of Chowchilla. The Commission’s role is to foster intergovernmental coordination; undertake comprehensive regional planning with an emphasis on transportation issues; provide a forum for citizen input into the planning process; and to provide technical services to its member agencies. In all these activities, the Commission works to develop a consensus among its members with regards to multijurisdictional transportation issues. The Commission is the Regional Transportation Planning Agency (RTPA) for Madera County. In addition, the Commission also serves as staff for the Madera County Transportation Authority, which administers funding collected as part of the Measure T transportation funding initiative. As the designated RTPA, the Commission is responsible for a wide variety of actions supporting a continuous, comprehensive, and coordinated planning process. In this regard, the Commission is responsible for the development of a Regional Transportation Plan (RTP) and Regional Transportation Improvement Plan (RTIP). As the RTPA, the Commission is also responsible for administering Transportation Development Act (TDA) funds, State Transit Assistance (STA) funds, Local Transportation Funds (LTF), and other transportation-related funds, as well as identifying regionally significant projects and developing funding strategies to address them. As the RTPA, the Commission is responsible for outlining and implementing transit plans that align with the Regional Transportation Plan Guidelines so as to ensure the region continues to receive federal and state funding for ongoing public transportation development. The Commission Board of Directors is comprised of three members from the Madera County Board of Supervisors; two members from the Madera City Council; and one member from the Chowchilla City Council.

Basic Financial Statements

The basic financial statements consist of the following:

- ◆ Government-wide financial statements,
- ◆ Fund financial statements, and
- ◆ Notes to the basic financial statements

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the non-fiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated.

Both of the government-wide financial statements distinguish functions of the Commission that are principally supported by taxes and intergovernmental revenues (governmental activities).

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items, not properly included among program revenues, are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the trust funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when a liability is incurred except for compensated absences and claims and judgments, which are recorded only when payment is due and payable.

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the Commission prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Commission has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

The fund financial statements provide information about the Commission's individual funds including governmental and trust funds. Separate statements for each fund category are presented. The balance sheet and the statement of revenues, expenditures, and changes in fund balances focus on the presentation of a major governmental fund, the general fund. These two statements are used to report information regarding the Commission's own operations and programs. The statement of fiduciary net assets and the statement of changes in fiduciary net assets provide information regarding the sales tax proceeds, aid from the State Government, and related disbursements. Disbursements of the trust funds during the fiscal year ended June 30, 2010, were made to the Cities of Madera and Chowchilla and the County of Madera.

For the fund financial statements, the Commission considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

The accounts of the Commission are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement

The Commission reports the following major governmental fund:

General Fund – the Commission's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Commission except those required to be accounted for in other specialized funds.

Additionally, the Commission reports the following fiduciary fund:

Trust Funds – used to account for Local Transportation Funds, State Transit Assistance Funds, Regional Surface Transportation Funds, and Public Transportation Modernization, Improvement, and Service Enhancement Account Funds held by the Commission in a trustee capacity.

Cash and Cash Equivalents

The Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Commission does not consider amounts invested in external investment pools, such as the Madera County Treasury, to be cash equivalents.

Cash and Investments

The Commission deposits all funds received in the County Treasury and advances funds monthly from the Treasury to a commercial checking account to cover expenditures.

Deposits with Financial Institutions

Deposits with financial institutions are fully insured or collateralized by securities in the government's name.

Deposits with the Madera County Treasury

Funds in the County Treasury participate in the County's pooled investments, an external investment pool. The County Treasurer invests the Commission's excess cash in an external investment pool on behalf of the Commission and other governments maintaining cash in the County Treasury. The County apportions a portion of the interest earned on pooled investments on the basis of the fund's average balance. Investment policies and associated risk factors applicable to the Madera County Transportation Commission are those of the County of Madera. All of the County's investments in securities are insured, registered, or are held by the County or its agents in the County's name.

The County of Madera Board of Supervisors exercises primary oversight responsibility for the County of Madera's investments. The County Treasurer manages the portfolio and reports results to the Board. A Madera County Oversight Committee consisting of the County Treasurer and Auditor-Controller and a third member representing the County schools (the primary external pool participant) also monitors the Treasury's investment on a regular basis. No regulatory agency outside of the County of Madera exercises any regulatory responsibilities over the County's investments. The County's pool is not registered with the SEC as an investment company.

Government Accounting Standards Board Statement No. 31 requires that these investments in the pool be reported at fair value. The Commission's management has elected not to report the investment in the County's external pool at fair value because the difference between fair value and amortized cost (the basis of presentation in these statements) is not material to these financial statements.

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an estimated useful life in excess of one year. The Commission maintains a capitalization threshold of \$1,000.

When purchased, such assets are recorded as expenditures in the governmental funds. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Computer equipment	5 to 10 years
Office furniture and equipment	5 to 10 years
Traffic monitoring equipment	5 to 10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

Accounts Payable

Accounts payable reported on the financial statements of the Commission are amounts that are due and payable at year-end and, thereby, accrued as an expense and liability. Accounts payable primarily consist of professional and specialized services and office expense.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. Earned compensated absences are made up of accrued vacation payable and vested accrued sick leave payable as determined by policy established by the Board of Directors. The Commission's policy states that accrued vacation must be paid in full, up to a maximum accrual amount ranging from 240 to 360 hours, depending on the number of years of service. Accrued sick leave is paid on a percentage basis on number of years in service.

Overhead

Administrative and office overhead is allocated to each project on the basis of the Commission's approved indirect cost rate. Professional and specialized services are charged directly to the applicable project.

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are external restrictions imposed by creditor, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Net assets are reported as unrestricted when they are not restricted for any project or other purpose.

Use of Management Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 45 – In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The provisions of this statement are effective for the year ended June 30, 2010. This statement did not have an impact on the Commission's financial statements.

GASB Statement No. 51 – In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement established accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the Commission's financial statements.

GASB Statement No. 53 – In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is intended to improve how State and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements. The statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and accrual basis of accounting. The guidance in this statement also addresses hedge accounting requirement and is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the Commission's financial statements.

GASB Statement No. 54 – In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this statement are effective for the financial statements for periods beginning after June 15, 2010. The Commission has not determined its effect on the financial statements.

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No 58 – In December 2009, the GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the Commission’s financial statements.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A reconciliation of the total fund balances for governmental funds to the total net assets of governmental activities has been prepared as part of the basic financial statements, including explanations of differences.

A reconciliation of the total net change in fund balances for governmental funds to the total changes in net assets of governmental activities has been prepared as part of the basic financial statements, including explanations of differences.

NOTE 3 – SUMMARY OF RELATED PARTY TRANSACTIONS

Madera County Transportation Commission maintains the Madera County Transportation Authority's accounting records and incurs various administrative and other expenses on behalf of the Authority. These expenses, reimbursed by the Authority to the Commission in 2009-2010 fiscal year, totaled to \$78,343.

NOTE 4 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2010, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 96,724
Investments	<u>6,868,265</u>
	<u>\$ 6,964,989</u>

Cash and investments as of June 30, 2010, consist of the following:

Statement of Net Assets:	
Cash and investments	\$ 790,331
Fiduciary Funds Statement of Net Assets:	
Trust Funds	<u>6,174,658</u>
	<u>\$ 6,964,989</u>

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 – CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the Commission’s Investment Policy

The table below identifies the investment types that are authorized for the Commission by the California Government Code (or the Commission’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Commission’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Commission’s investments to market rate fluctuations is provided by the following table that shows the distribution of the Commission’s investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Governmental Activities:					
County Investment Pool	\$ 6,868,265	\$ 6,868,265	\$ -	\$ -	\$ -
Totals	\$ 6,868,265	\$ 6,868,265	\$ -	\$ -	\$ -

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Commission's investment policy, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End		
			AAA	Aa	Not Rated
Governmental Activities:					
County Investment Pool	<u>\$ 6,868,265</u>	N/A	\$ -	\$ -	<u>\$ 6,868,265</u>
Totals	<u>\$ 6,868,265</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,868,265</u>

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets being depreciated:				
Computer equipment	\$ 26,600	\$ 8,179	\$ -	\$ 34,779
Computer software	-	4,175	-	4,175
Leasehold improvements	13,571	-	-	13,571
Office furniture and equipment	17,163	-	-	17,163
Traffic monitoring equipment	<u>3,918</u>	<u>-</u>	<u>-</u>	<u>3,918</u>
Total capital assets being depreciated	<u>61,252</u>	<u>12,354</u>	<u>-</u>	<u>73,606</u>
Less accumulated depreciation for:				
Computer equipment	25,528	1,177	-	26,705
Computer software	-	580	-	580
Leasehold improvements	1,922	1,357	-	3,279
Office furniture and equipment	14,495	1,428	-	15,923
Traffic monitoring equipment	<u>3,918</u>	<u>-</u>	<u>-</u>	<u>3,918</u>
Total accumulated depreciation	<u>45,863</u>	<u>4,542</u>	<u>-</u>	<u>50,405</u>
Total capital assets, net	<u>\$ 15,389</u>	<u>\$ 7,812</u>	<u>\$ -</u>	<u>\$ 23,201</u>

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6 – INTERFUND BALANCES

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Interfund receivable and payable balances at June 30, 2010, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
State Transit Assistance fund	\$ -	\$ 21,832
Local Transportation fund	21,832	-
PTMISEA fund	8,294	-
Regional Surface Transportation fund	-	8,294
Totals	<u>\$ 30,126</u>	<u>\$ 30,126</u>

NOTE 7 – DEFERRED REVENUE

As of June 30, 2010, deferred revenues are as follows:

	<u>General Fund</u>
Aid from state government	\$ 194,704
Aid from local government	<u>3,025</u>
Totals	<u>\$ 197,729</u>

NOTE 8 – COMPENSATED ABSENCES

As of June 30, 2010, compensated absences payable are as follows:

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
Governmental:			
General fund	\$ 43,797	\$ -	\$ 43,797
Totals	<u>\$ 43,797</u>	<u>\$ -</u>	<u>\$ 43,797</u>

A summary of changes in compensated absences payable related to governmental activities is as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Total, general fund	\$ 35,686	\$ 8,111	\$ -	<u>\$ 43,797</u>

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9 – DEFINED CONTRIBUTION EMPLOYEE RETIREMENT BENEFIT PLAN

The Commission provides retirement benefits for all of its full-time employees through a defined contribution plan created in accordance with Internal Revenue Code (IRC) Section 401(a), which is being administered by I.C.M.A. Retirement Corporation. In addition to the employer defined contribution, the employees may elect to make contributions to a deferred compensation plan created in accordance with IRC Section 457. The plan permits employees to defer a minimum of 7.5% of the salaries until future years. The maximum amount an employee may defer is the lesser of 100% of annual gross salary or \$12,000. Under the 401(a) plan the employer contributes 15% of the employee's gross salary. Vesting in the 401(a) plan occurs immediately. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Employees, though, may obtain loans from the 401(a) plans secured by their individual contributions and accumulated earnings. Employer contributions to the 401(a) plan amounted to \$59,362 for the year ended June 30, 2010.

NOTE 10 – OPERATING LEASES

The Commission conducts its operations from leased facilities and also leases various office equipment. The building lease, which expires April 30, 2013, is classified as an operating lease.

The following is a schedule of future minimum rental payments under operating leases:

Year ending June 30,	
2011	\$ 67,118
2012	59,297
2013	<u>8,859</u>
Total	<u>\$ 135,274</u>

Total rental expense for all operating leases for the year ended June 30, 2010, was \$69,318.

NOTE 11 – CONTINGENT LIABILITIES

Grants have been received by the Commission for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to a request for reimbursement for costs disallowed under the terms of the grants. The amount, if any, of costs that may be disallowed by the granting agencies cannot be determined at this time.

NOTE 12 – PROPOSITION 1B (PTMISEA) FUNDING

The Commission receives Proposition 1B (PTMISEA) funding on behalf of transit agencies for approved capital projects. During the fiscal year ended June 30, 2010, the Commission received Proposition 1B funds of \$255,947 and expended \$9,900. These funds are held in an interest bearing account and have earned interest of \$617 for the year ended June 30, 2010.

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

For the year ending June 30, 2010, the beginning fund balance in the governmental funds has been adjusted by the following amounts:

	<u>General Fund</u>
Understatement of compensated absences	\$ 35,686
Understatement of deferred revenue	<u>74,706</u>
Total prior period adjustments	<u>\$ 110,392</u>

For the year ending June 30, 2010, the beginning net assets in the governmental-wide statement of activities have been adjusted by the following amounts:

	<u>General Fund</u>
Understatement of deferred revenue	\$ 74,706
Total prior period adjustments	<u>\$ 74,706</u>

For the year ending June 30, 2010, the beginning net assets in the trust funds combining statement have been adjusted by the following amounts:

	<u>State Transit Assistance Fund</u>	<u>Local Transportation Fund</u>	<u>Regional Surface Transportation Fund</u>	<u>Total</u>
Understatement of revenues	\$ 101,212	\$ 212,300	\$ 36,326	\$ 349,838
Understatement of expenses	<u>(227,900)</u>	<u>(296,297)</u>	<u>-</u>	<u>(524,197)</u>
Total prior period adjustments	<u>\$ (126,688)</u>	<u>\$ (83,997)</u>	<u>\$ 36,326</u>	<u>\$ (174,359)</u>

NOTE 14 – SUBSEQUENT EVENTS

On October 12, 2010, the State Department of Transportation (Caltrans) issued an audit resolution letter regarding questioned costs. They determined that the Commission must forfeit \$349,422 from their Federal Highway Administration Metropolitan Planning funds annual allocation. This will result in the reduction of 2010-2011 fiscal year allocation from \$608,329 to \$258,887.

These financial statements have been issued later than normal because management was waiting for approval on its FY 2009/10 indirect cost allocation plan (ICAP) from Caltrans Audits and Investigations (A&I). A&I issued an ICAP rate acceptance letter on July 14, 2011. With A&I's new process of issuing rate acceptance letters, future statements and reports should be more timely.

REQUIRED SUPPLEMENTARY INFORMATION

**MADERA COUNTY TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Aid from federal government	\$ 799,600	\$ 565,648	\$ 512,451	\$ (53,197)
Aid from state government	271,065	141,224	136,671	(4,553)
Aid from local governments	198,935	168,323	264,254	95,931
Interest revenue	<u>-</u>	<u>-</u>	<u>8,624</u>	<u>8,624</u>
Total revenues	<u>1,269,600</u>	<u>875,195</u>	<u>922,000</u>	<u>46,805</u>
Expenditures:				
Current:				
General government:				
Salaries and benefits	603,100	566,504	568,900	(2,396)
Planning and administration	478,500	140,500	125,764	14,736
Supplies and services	188,000	178,000	127,414	50,586
Capital outlay	<u>-</u>	<u>-</u>	<u>12,354</u>	<u>(12,354)</u>
Total expenditures	<u>1,269,600</u>	<u>885,004</u>	<u>834,432</u>	<u>50,572</u>
Excess of revenues over (under) expenditures	-	(9,809)	87,568	97,377
Fund balances at beginning of year	802,252	802,252	802,252	-
Prior period adjustments	<u>-</u>	<u>-</u>	<u>110,392</u>	<u>110,392</u>
Fund balances at end of year	<u>\$ 802,252</u>	<u>\$ 792,443</u>	<u>\$ 1,000,212</u>	<u>\$ 207,769</u>

**MADERA COUNTY TRANSPORTATION COMMISSION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

NOTE 1 – BUDGETARY DATA

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

Five months before the beginning of the year, the Executive Director submits to the Policy Advisory Committee for their approval, a draft operating budget by overall work plan elements for the General Fund for the year commencing July 1. The Policy Advisory Committee then has 45 days, to April 1, to review and make recommendations on the draft operating budget. After the recommendations have been made, the proposed operating budget is brought to the Commission for their review and approval. On or prior to the May meeting of the Commission, the budget is legally adopted through passage of a resolution.

The budget of the Commission represents a financial plan to undertake the work program of the Commission and includes proposed expenditures and the means of financing them.

All transfers, modifications, and supplemental appropriations to the budget must be approved by the Commission through resolution. Actual expenditures may not legally exceed “budget” appropriations at the individual fund level. Budgetary control, however, is maintained at the department level.

Appropriations lapse at the end of the year to the extent that they have not been expended or encumbered.

The Commission prepares its budget on a basis of accounting in accordance with accounting principles generally accepted in the United States of America. A budgetary comparison schedule for the general fund is presented on page 36.

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OTHER SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the government in a trustee capacity.

Trust Funds:

State Transit Assistance Fund – This fund is used to account for the state fund, derived from statewide sales tax on gasoline and diesel fuel, apportioned to Madera County for transportation planning and mass transportation purposes.

Local Transportation Fund – This fund is used to account for 1/4 cent sales tax revenues collected by the State under the Transportation Development Act (TDA) and distributed to Madera County Transportation Commission for allocation to eligible claimants for transit streets and roads and pedestrian/bicycle facilities, as well as regional transportation planning and TDA administration.

Proposition 1B (PTMISEA) Fund – This fund is used to account for funds received from the Public Transportation, Improvement and Service Enhancement Account (PTMISEA) on behalf of transit agencies for approved capital projects. This fund is 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, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

Regional Surface Transportation Fund – This fund was established by California State Statute utilizing Surface Transportation Program Funds. This program provides funding for enhancing, repairing, maintaining, rebuilding, and rehabilitating the transportation infrastructure.

**MADERA COUNTY TRANSPORTATION COMMISSION
COMBINING STATEMENT OF NET ASSETS
TRUST FUNDS
JUNE 30, 2010**

	State Transit Assistance Fund	Local Transportation Fund	Proposition IB (PTMISEA) Fund	Regional Surface Transportation Fund	Total
Assets:					
Cash and investments	\$ 1,266,742	\$ 4,606,409	\$ 256,564	\$ 44,944	\$ 6,174,658
Due from other governments	-	440,300	-	-	440,300
Due from other funds	-	21,832	8,294	-	30,126
Total assets	<u>\$ 1,266,742</u>	<u>\$ 5,068,541</u>	<u>\$ 264,858</u>	<u>\$ 44,944</u>	<u>\$ 6,645,084</u>
Liabilities:					
Due to local agencies	\$ -	\$ 869,688	\$ 9,900	\$ -	\$ 879,588
Due to other funds	21,832	-	-	8,294	30,126
Total liabilities	<u>21,832</u>	<u>869,688</u>	<u>9,900</u>	<u>8,294</u>	<u>909,714</u>
Net assets:					
Held in trust for other governments	<u>\$ 1,244,910</u>	<u>\$ 4,198,853</u>	<u>\$ 254,958</u>	<u>\$ 36,650</u>	<u>\$ 5,735,370</u>

**MADERA COUNTY TRANSPORTATION COMMISSION
 COMBINING STATEMENT OF CHANGES IN NET ASSETS
 TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010**

	State Transit Assistance Fund	Local Transportation Fund	Proposition IB (PTMISEA) Fund	Regional Surface Transportation Fund	Total
Additions:					
Sales taxes	\$ -	\$ 2,970,040	\$ -	\$ -	\$ 2,970,040
Aid from state governments	795,582	-	255,947	-	1,051,529
Interest revenue	<u>7,530</u>	<u>69,489</u>	<u>617</u>	<u>324</u>	<u>77,960</u>
Total additions	<u>803,112</u>	<u>3,039,529</u>	<u>256,564</u>	<u>324</u>	<u>4,099,529</u>
Deductions:					
Administration expense	-	178,936	-	-	178,936
LTF claims paid	-	3,559,723	-	-	3,559,723
STA distributions	-	-	-	-	-
PTMISEA distributions	<u>-</u>	<u>-</u>	<u>9,900</u>	<u>-</u>	<u>9,900</u>
Total deductions	<u>-</u>	<u>3,738,659</u>	<u>9,900</u>	<u>-</u>	<u>3,748,559</u>
Changes in net assets	803,112	(699,130)	246,664	324	350,969
Net assets at beginning of year	568,486	4,981,980	8,294	-	5,558,760
Prior period adjustments	<u>(126,688)</u>	<u>(83,997)</u>	<u>-</u>	<u>36,326</u>	<u>(174,359)</u>
Net assets at end of year	<u>\$ 1,244,910</u>	<u>\$ 4,198,853</u>	<u>\$ 254,958</u>	<u>\$ 36,650</u>	<u>\$ 5,735,370</u>

**MADERA COUNTY TRANSPORTION COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Grant Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Federal Highway Works Administration</u>			
Pass-through California Department of Transportation Highway Planning and Construction Grant - OWP (Overall Work Plan)	20.205	74A0123	\$ <u>462,658</u>
Total Federal Highway Works Administration			<u>462,658</u>
<u>Federal Transit Administration</u>			
Pass-through California Department of Transportation Federal Transit Technical Studies Grant - MPO	20.505	74A0123	<u>49,793</u>
Total Federal Transit Administration			<u>49,793</u>
Total Federal Financial Assistance			<u>\$ 512,451</u>

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF APPORTIONMENTS BY PURPOSE
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Public Utilities Code *		
	Article 6.5 99314.3(a) C.A.C.6730(a) (Transit Operations)	Article 6.5 99313 C.A.C.6731(b&d) (Transit Population)	Total
City of Chowchilla	\$ -	\$ -	\$ -
City of Madera	-	-	-
County of Madera	-	-	-
Madera County Transportation Commission	-	-	-
 Total apportionments by purpose	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

* This schedule is intended to reflect the State Transit Assistance apportionments that were received during the 2009-2010 fiscal year. There are no amounts represented on this schedule since no apportionments were received during the fiscal year.

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF APPORTIONMENTS BY PURPOSE
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Article 3 99234 (Bicycle and Pedestrian)	Article 4.5 99275 (Social Services)	Article 4 and 8 99260/99400(a) (Transit Operations/ Streets and Roads)	MCTC RTP 99402/99233.1 (Planning and Administration)	Total
City of Chowchilla	\$ 4,795	\$ -	\$ 227,080	\$ -	\$ 231,875
City of Madera	24,985	-	1,183,250	-	1,208,235
County of Madera	36,621	-	1,734,332	-	1,770,953
Madera County Transportation Commission	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,936</u>	<u>178,936</u>
 Total apportionments by purpose	 <u>\$ 66,401</u>	 <u>\$ -</u>	 <u>\$ 3,144,662</u>	 <u>\$ 178,936</u>	 <u>\$ 3,389,999</u>

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF DISBURSEMENTS BY PURPOSE
STATE TRANSIT ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Public Utilities Code		Total
	Article 6.5 99314.3(a) C.A.C.6730(a) (Transit Operations)	Article 6.5 99313 C.A.C.6731(b&d) (Transit Population)	
City of Chowchilla	\$ -	\$ -	\$ -
City of Madera	-	165,874	165,874
County of Madera	-	80,194	80,194
Madera County Transportation Commission	-	-	-
Subtotal disbursements by purpose	-	246,068	246,068
Prior period adjustment *	-	(246,068)	(246,068)
Total disbursements by purpose	\$ -	\$ -	\$ -

* The prior period adjustment was due to expenditures that were not recorded in the proper period by the Commission.

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF DISBURSEMENTS BY PURPOSE
LOCAL TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	Article 3 99234 (Bicycle and Pedestrian)	Article 4.5 99275 (Social Services)	Article 4 99260 (Transit Operations)	Article 8a 99400(a) (Streets and Roads)	MCTC RTP 99402/99233.1 (Planning and Administration)	Total
City of Chowchilla	\$ -	\$ -	\$ -	\$ 28,190	\$ -	\$ 28,190
City of Madera	40,556	-	-	1,867,162	-	1,907,718
County of Madera	-	-	-	1,901,944	-	1,901,944
Madera County Transportation Commission	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,936</u>	<u>178,936</u>
Subtotal disbursements by purpose	<u>40,556</u>	<u>-</u>	<u>-</u>	<u>3,797,296</u>	<u>178,936</u>	<u>4,016,788</u>
Prior period adjustment *	<u>-</u>	<u>-</u>	<u>-</u>	<u>(278,129)</u>	<u>-</u>	<u>(278,129)</u>
Total disbursements by purpose	<u>\$ 40,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,519,167</u>	<u>\$ 178,936</u>	<u>\$ 3,738,659</u>

* The prior period adjustment was due to expenditures that were not recorded in the proper period by the Commission.

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS, DISBURSEMENTS
AND UNEXPENDED ALLOCATIONS
STATE TRANSIT ASSISTANCE FUND
JUNE 30, 2010**

Claimant - Claim	New/Unused Allocations	Prior Period Adjustment	Disbursements	Unexpended Allocations
County of Madera				
Senior Escort/Transit				
07/08	\$ 800	\$ -	\$ -	\$ 800
Chowchilla Transit System				
07/08	8,292	-	-	8,292
06/07	8,438	-	-	8,438
MCC				
07/08 - Bus	30,043	-	-	30,043
06/07 - Operations	165,721	-	-	165,721
06/07 - Shelter	9,200	-	-	9,200
Dial-A-Ride				
08/09 - Operations	80,194	(80,194)	-	-
07/08 - Operations	-	-	-	-
06/07 - Operations	25,000	-	-	25,000
City of Madera				
Dial-A-Ride				
08/09 - Operations	85,498	(85,498)	-	-
Madera Area Express (MAX)				
08/09 - Capital	91,882	(78,937)	-	12,945
FTA Sec. 5307 Intermodal				
08/09 - Capital Match	6,000	(1,439)	-	4,561
07/08 - Operation Match	6,967	-	-	6,967
City of Chowchilla				
Chowchilla Transit System (CATX)				
08/09	(9)	-	-	(9)
	<u>\$ 518,026</u>	<u>\$ (246,068)</u>	<u>\$ -</u>	<u>\$ 271,958</u>

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS, DISBURSEMENTS
AND UNEXPENDED ALLOCATIONS
LOCAL TRANSPORTATION FUND
JUNE 30, 2010**

Claimant - Claim	New/Unused Allocations	Prior Period Adjustment	Disbursements	Unexpended Allocations
County of Madera				
Street Maintenance				
09/10	\$ 1,173,171	\$ -	\$ 1,173,171	\$ -
Dial-A-Ride				
09/10	190,000	-	190,000	-
08/09	28,048	(28,048)	-	-
07/08	58,000	-	58,000	-
05/06	2,868	-	-	2,868
Pedestrian/Bicycle Facilities				
09/10	95,716	-	-	95,716
06/07	331,502	-	-	331,502
CATX - City of Chowchilla				
09/10	82,000	-	-	82,000
Madera County Connection				
09/10	400,000	-	358,930	41,070
Senior Escort Transit - CAPMC				
09/10	156,000	-	79,053	76,947
08/09	14,743	(14,743)	-	-
City of Madera				
Dial-A-Ride				
09/10 - Operations	140,000	-	126,687	13,313
Fixed Route (MAX)				
09/10 - Operations	340,000	-	310,296	29,704
09/10 - Capital	294,000	-	2,738	291,262
08/09 - Operations	194,702	(187,202)	7,500	-
Intermodal				
09/10 - Capital	35,975	-	20,497	15,478
08/09 - Operations & Capital	19,946	(19,946)	-	-
CMAQ Equipment				
09/10	192,596	-	42,626	149,970
08/09	6,403	-	6,403	-
CNG Facility				
09/10	178,000	-	-	178,000
Street Maintenance				
08/09	242,082	-	242,082	-
Pedestrian & Bicycle				
09/10	79,185	-	40,556	38,629
07/08	8,052	-	-	8,052
Other Projects				
Unprogrammed Balance 09/10	612,500	-	151,340	461,160
ARRA Proj. Engineering 09/10	30,000	-	21,276	8,724
Upper Street Crossing 09/10	100,000	-	-	100,000
Misc. Concrete Projects Admin - 09/10	128,250	-	127,528	722
Misc. Concrete Projects - 09/10	499,197	-	248,726	250,472
Misc. Concrete Projects - 08/09	100,802	-	100,802	-
Fresno River Trail Project - 09/10	241,948	-	-	241,948
Subtotal	5,975,686	(249,939)	3,308,210	2,417,537

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS, DISBURSEMENTS
AND UNEXPENDED ALLOCATIONS
LOCAL TRANSPORTATION FUND
JUNE 30, 2010
(CONTINUED)**

Claimant - Claim	New/Unused Allocations	Prior Period Adjustment	Disbursements	Unexpended Allocations
City of Madera (Continued)				
Gateway Drive Sidewalk - 08/09	101,000	-	101,000	-
CIP Engineering Admin 09/10	600,000	-	-	600,000
Traffic Warrant Studies - 09/10	30,000	-	113	29,887
Fund 41300/Dept. 347 - 09/10	25,000	-	-	25,000
Fund 41300/Dept. 347 - 08/09	25,000	-	25,000	-
Fund 41300/Dept. 347 - 07/08	1,849	-	-	1,849
Transit Maintenance Facility 09/10	10,000	-	-	10,000
Misc. Projects - 08/09	125,400	-	125,400	-
Misc. Projects - 07/08	20,240	-	-	20,240
City of Chowchilla				
Local Agency Planning				
09/10	50,000	-	-	50,000
08/09	9,885	(9,885)	-	-
Street Maintenance				
09/10	62,080	-	-	62,080
08/09	18,305	(18,305)	-	-
Road & Street Projects				
07/08	414	-	-	414
Chowchilla Transit System (CATX)				
09/10	115,000	-	-	115,000
08/09	1	-	-	1
Pedestrian & Bicycle				
09/10	4,795	-	-	4,795
08/09	4,315	-	-	4,315
07/08	5,488	-	-	5,488
 Total allocations, disbursements, and unexpended allocations	 <u>\$ 7,184,458</u>	 <u>\$ (278,129)</u>	 <u>\$ 3,559,723</u>	 <u>\$ 3,346,606</u>

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF GRANT RECEIPTS AND EXPENDITURE CLAIMS
JUNE 30, 2010**

	Total	Local Resources	FHWA (PL 021)	FTA (FTA 5303)	State STIP-PPM 6138 (016)	SJ Valley Blueprint
Revenues:						
Federal grants	\$ 512,452	\$ -	\$ 462,658	\$ 49,794	\$ -	\$ -
Non-federal revenue:						
State revenue	136,670	-	-	-	94,893	41,777
Local revenue sources	264,254	264,254	-	-	-	-
Interest revenue	<u>8,624</u>	<u>8,624</u>	-	-	-	-
Total revenue	<u>922,000</u>	<u>272,878</u>	<u>462,658</u>	<u>49,794</u>	<u>94,893</u>	<u>41,777</u>
Expenditures:						
100 Regional Transportation Plan and EIR	100,932	-	89,355	-	11,577	-
110 Regional Planning Database	27,715	-	24,536	-	3,179	-
111 Traffic Monitoring Program	10,833	-	9,590	-	1,243	-
112 Regional Transportation Modeling	50,114	-	44,366	-	5,748	-
113 Air Quality Transportation Planning	37,433	-	33,139	-	4,294	-
120 Streets and Highways Planning	65,014	-	57,557	-	7,457	-
121 Highway Project Support	43,937	-	-	-	43,937	-
130 Public Transportation	56,791	6,997	-	49,794	-	-
140 Other Modal Elements	53,677	6,157	47,520	-	-	-
150 Public Information and Participation	26,472	3,036	23,436	-	-	-
151 Transportation Demand Management	2,049	2,049	-	-	-	-
200 Transportation Program Development	48,622	-	43,045	-	5,577	-
901 Local Transportation Funds Admin.	48,462	48,462	-	-	-	-
902 Overall Work Program and Budget	45,179	5,182	39,997	-	-	-
904 Valley-Wide Coordination	56,615	-	50,117	-	6,498	-
905 SJV Regional Blueprint	47,161	-	-	-	5,384	41,777
907 Board Costs and Other Costs	23,886	23,886	-	-	-	-
910 MCTA Administration	<u>71,758</u>	<u>71,758</u>	-	-	-	-
Total expenditures	<u>816,650</u>	<u>\$ 167,527</u>	<u>\$ 462,658</u>	<u>\$ 49,794</u>	<u>\$ 94,894</u>	<u>\$ 41,777</u>
Capital Outlay	12,354					
Depreciation	(4,541)					
Compensated absences	(8,111)					
Over-recovery of indirect expenses - 09/10	<u>(17,484)</u>					
Net gain	<u>\$ 87,568</u>					

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED JUNE 30, 2010**

Insurance coverage of the Commission at June 30, 2010, is as follows:

Liability coverage:

All inclusive (combined single limit):	
Bodily injury	\$1,000,000
Office personal property 90% co-insurance	\$100,000
Workers' compensation insurance	Statutory

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF COST ALLOCATION PLAN RECONCILIATION
AND FIXED RATE OVERHEAD CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2010**

Budget Item	Basic Financial Statements		Adjustments Allocated to Other Programs	Cost Allocation Plan	
	Actual Expense	Eligible Depreciation		Direct Expense	Indirect Expense
Salaries and benefits:					
Direct	\$ 392,685	\$ -	\$ -	\$ 392,685	\$ -
Indirect	<u>184,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,326</u>
Total salaries and benefits	<u>577,011</u>	<u>-</u>	<u>-</u>	<u>392,685</u>	<u>184,326</u>
Indirect overhead:					
Rent	60,458	-	-	-	60,458
Utilities	3,721	-	-	-	3,721
Telephone/facsimile	4,266	-	-	-	4,266
Outside services	4,680	-	-	-	4,680
Bank fee	102	-	-	-	102
Advertising/publications	3,673	-	-	-	3,673
Office furniture and equipment	1,348	-	-	-	1,348
Office supplies	5,521	-	-	-	5,521
Computer supplies	4,820	-	-	-	4,820
Travel, cell and auto allowance	3,840	-	-	-	3,840
Contracts (copier)	10,038	-	-	-	10,038
Insurance and bonds	677	-	-	-	677
Membership fees	75	-	-	-	75
Conference/training/education	7,695	-	-	-	7,695
Audits	24,350	-	-	-	24,350
Miscellaneous	2,326	-	-	-	2,326
Postage	1,191	-	-	-	1,191
Depreciation	-	4,541	-	-	4,541
Board costs and unallowable costs	8,055	-	(8,055)	-	-
Unallowable costs - other	<u>13,217</u>	<u>-</u>	<u>(13,217)</u>	<u>-</u>	<u>-</u>
Total indirect overhead	<u>160,053</u>	<u>4,541</u>	<u>(21,272)</u>	<u>-</u>	<u>143,322</u>
Total costs	<u>\$ 737,064</u>	<u>\$ 4,541</u>	<u>\$ (21,272)</u>	<u>\$ 392,685</u>	<u>\$ 327,648</u>
Direct expenses - year ended June 30, 2010				\$ 392,685	
Approved indirect cost rate - year ended June 30, 2010				77.88%	
Total allocable indirect expenses - year ended June 30, 2010				<u>\$ 305,823</u>	
Actual indirect expenses - year ended June 30, 2010				\$ 327,648	
(Over)/Under recovery of indirect expenses - year ended June 30, 2008				<u>(39,309)</u>	
Net eligible indirect expenses - year ended June 30, 2010				<u>\$ 288,339</u>	
(Over)/Under recovery of indirect expenses - year ended June 30, 2010				<u>\$ (17,484)</u>	
(Over)/Under recover of indirect expenses - year ended June 30, 2009				<u>\$ (72,349)</u>	

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OTHER REPORTS

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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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madera County Transportation Commission (the Commission) as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's 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. 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*.

We noted certain matters that we reported to management of the Madera County Transportation Commission in a separate letter dated September 11, 2011.

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Madera County Transportation Commission's management, Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Price Pange & Company

Clovis, California
September 10, 2011



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Madera County Transportation Commission's (the Commission's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2010. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements or laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion of the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Madera County Transportation Commission's management, Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Price Pange & Company

Clovis, California
September 10, 2011



REPORT ON COMPLIANCE WITH RULES AND REGULATIONS OF THE
TRANSPORTATION DEVELOPMENT ACT

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

We have audited the financial statements of the Madera County Transportation Commission (the Commission) for the year ended June 30, 2010, and have issued our report thereon dated September 10, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Transportation Development Act (TDA) Statutes and California Codes of Regulations, January 2005*, published by the California Department of Transportation, Division of Mass Transportation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

The Commission's management is responsible for the Commission's compliance with laws and regulations. In connection with the audits referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the determination of the Commission's ability to receive funds allocated to it, and the propriety of expenditures in accordance with the Transportation Development Act and the rules and the California Administrative Code.

In our opinion, the results of our tests indicated the Commission complied in all material respects with the provisions referred to in the preceding paragraphs.

This report is intended solely for the information and use of the Madera County Transportation Commission's management, Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Price Paige & Company

Clovis, California
September 10, 2011

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INDEPENDENT AUDITOR'S COMPLIANCE REPORT

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

We have audited the compliance of the Madera County Transportation Commission (the Commission) Transportation Development Act Funds (TDA) with the types of compliance requirements described in Section 6666 of the Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987 (the Act) and the allocation instructions and resolutions of the Commission. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the TDA Funds is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

As part of the audit, we performed testing of the 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 the state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the 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, 2010, the Commission applied for and received \$255,947 from the State's PTMISEA account for (1) City of Chowchilla – CATX transit vehicles shelter #2, (2) City of Madera – purchase and install MAX bus shelters and amenities, (3) City of Chowchilla – CATX on board video surveillance cameras, and (4) City of Chowchilla – CATX van purchase. As of June 30, 2010, PTMISEA funds expended \$9,900 for City of Madera purchase and installation of MAX bus shelters and amenities.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Audit 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 noncompliance with the types of compliance requirements referred to above that could have direct and material effect on the TDA funds. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion the TDA funds allocated to and received by the Commission pursuant to the Act were expended in conformance with the applicable statutes, rules and regulations of the Act and the allocation instructions and resolutions of the Commission.

This report is intended solely for the information and use of the Madera County Transportation Commission's management, Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Price Pange & Company

Clovis, California
September 10, 2011

FINDINGS AND QUESTIONED COSTS

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? X yes no

Significant deficiencies identified that are not
 considered to be material weaknesses? yes X none reported

Noncompliance material to financial
 statements noted? yes X no

Federal Awards

Internal control over major programs:
 Material weaknesses identified? yes X no

Significant deficiencies identified that are not
 considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance
 for major programs: Unqualified

Any audit findings disclosed that are required
 to be reported in accordance with Section 510(a)
 of Circular A-133? yes X no

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Grant

Dollar threshold used to distinguish between
 Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes X no

**MADERA COUNTY TRANSPORTATION COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2010-1

Condition: While the Commission maintains control over the processing of accounting transactions, there is an inadequate process for capturing year-end accounting activity for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Effect: Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Criteria: The Commission is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Commission's internal controls over GAAP financial reporting should include personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP-based financial statements to ensure that they are free of material misstatements and include all disclosure omissions in a timely manner.

Recommendation: As part of its internal control over the year-end closing process and preparation of its financial statements, the Commission should implement comprehensive year-end closing procedures to ensure that the resulting financial statements will be complete and accurate. Such procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Commission's activities and operations.

Management Response: The Commission understands the need for an adequate accounting system to capture all accounting transactions. The Commission will address this issue and implement a better accounting system in time for the next fiscal year to be audited.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No items were reported.

**MADERA COUNTY TRANSPORTATION COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

Finding 2009-1: Lack of Appropriate Segregation of Duties

Condition: Key personnel have authority and responsibility for financial and administrative duties which does not allow for adequate segregation of duties. An effective internal control system generally segregates duties so that no individual is responsible for processing, authorizing, and recording a transaction. During the audit, the auditor's noted that one individual has the responsibility for all general ledger accounting and reporting responsibilities.

Effect: Lack of appropriate segregation of duties increases the risk that errors or irregularities can occur and go undetected. The impact on the financial statements has not been determined.

Recommendation: We recommend that the assignment of conflicting duties be reevaluated to determine if a more desirable segregation of duties can be achieved. Key sensitive duties need to remain with designated positions for confidentiality or other reasons.

MCTC Response: We agree with the finding and have undertaken steps to improve our segregation of duties, including the addition of a Fiscal Supervisor, which has allowed us to separate some accounting duties and increase supervision and review of clerical accounting functions.

Status: Implemented.

Finding 2009-2: Preparation of Annual Financial Statements and Audit Adjustments

Condition: Recently issued auditing standards require external auditors to determine whether or not MCTC staff, designated with responsibility over financial reporting, possess the expertise necessary to identify all financial reporting matters in compliance with generally accepted accounting principles without the reliance on external auditors. Governmental agencies frequently rely on assistance from external auditors to identify and propose audit adjustments, some of which are material, and to assist in the preparation of the financial statements and related disclosures. MCTC relies on us to prepare the annual financial statements and related footnote disclosures, however, they have been reviewed and approved by management. Under this approach, MCTC is considered to have a control deficiency in the design or internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles and, as a result, we are required to report this as a finding in accordance with *Government Auditing Standards*.

Effect: No effect on the financial statements.

Recommendation: We feel that in the future, MCTC staff has the capability of recording most of the year-end adjusting entries currently made by us, and with experience will be able to meet the financial statement review and oversight required by auditing standards.

MCTC Response: We agree with the finding and continue to strive to meet the auditing standards requirements. In the meantime, we will continue to rely upon our external auditors to prepare the annual financial statements and related footnote disclosures, subject to our review and approval prior to issuance of the annual financial statements.

Status: Not implemented. See current year finding.