City of Madera
Transportation Development Act
Funds

Madera, California

Independent Auditors' Reports
and Financial Statements

For the Years Ended June 30, 2022 and 2021

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Madera
Transportation Development Act Funds
For the Years Ended June 30, 2022 and 2021

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the City Council of the City of Madera
Madera, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act Funds (the "TDA Funds") of the City of Madera, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TDA Funds of the City as of June 30, 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2021 Financial Statements

The TDA Fund's financial statements for the year ended June 30, 2021, were audited by other auditors whose report thereon dated August 19, 2022, expressed an unmodified opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds' and do not purport to, and do not, present fairly the financial positions of the City as of June 30, 2022 and 2021, the change in financial position, or, where applicable, its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the TDA Funds' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control of the TDA Funds. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the TDA Funds' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions, as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards* and the Rules and Regulations of the Transportation Development Act

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2023, on our consideration of the TDA Funds' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the TDA Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TDA Funds' internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
April 21, 2023

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Orange County Coastkeeper
Statements of Financial Position
December 31, 2022 and 2021

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents	$ 1,844,413	$ 1,874,888
Contributions receivable	350,894	245,335
Prepaids and deposits	7,412	7,920
Total current assets	2,202,719	2,128,143
Non-current assets:		
Property and equipment, net	279,588	311,994
Right to use assets, net	246,795	329,061
Total non-current assets	526,383	641,055
Total assets	$ 2,729,102	$ 2,769,198
LIABILITIES AND NET ASSETS		
Liabilities:		
Current liabilities:		
Accounts and other payables	$ 98,951	$ 66,242
Accrued vacation payable	66,018	50,505
Current portion of lease liability	86,331	81,315
Total current liabilities	251,300	198,062
Non-current liabilities:		
Non-current portion of lease liability	188,964	275,295
Total non-current liabilities	188,964	275,295
Total liabilities	440,264	473,357
Net assets:		
Without donor restrictions	1,995,852	1,999,884
With donor restrictions	292,986	295,957
Total net assets	2,288,838	2,295,841
Total liabilities and net assets	$ 2,729,102	$ 2,769,198

See accompanying Notes to the Financial Statements.

Orange County Coastkeeper
Statement of Activities
For the Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions, gifts and grants:			
Program service revenue	$ 776,505	$ 779,582	$ 1,556,087
Direct public support	329,062	-	329,062
Governmental grants	143,545	32,232	175,777
Fundraising events	141,340	-	141,340
Other revenue	145,008	-	145,008
Gain on sale of property and equipment	-	-	-
Investment loss	(369)	-	(369)
Total support and other revenue	1,535,091	811,814	2,346,905
Net assets released from restrictions	814,785	(814,785)	-
Total revenue	2,349,876	(2,971)	2,346,905
Program expenses:			
Education	314,972	-	314,972
Sustainability	-	-	-
Advocacy	727,788	-	727,788
Restoration	108,180	-	108,180
Enforcement	888,801	-	888,801
Special projects	115,653	-	115,653
Total program expenses	2,155,394	-	2,155,394
Supporting services:			
Management and general	114,430	-	114,430
Fundraising	84,084	-	84,084
Total supporting services	198,514	-	198,514
Total expenses	2,353,908	-	2,353,908
Change in net assets	(4,032)	(2,971)	(7,003)
Net Assets:			
Beginning of year	1,999,884	295,957	2,295,841
End of year	$ 1,995,852	$ 292,986	$ 2,288,838

See accompanying Notes to the Financial Statements.

Orange County Coastkeeper
Statement of Activities (Continued)
For the Year Ended December 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions, gifts and grants:			
Program service revenue	$ 657,151	$ 645,817	$ 1,302,968
Direct public support	363,642	12,045	375,687
Governmental grants	236,140	233,116	469,256
Other revenue	67,057	-	67,057
Gain on sale of property and equipment	11,050	-	11,050
Investment earnings	3,413	-	3,413
Total support and other revenue	1,338,453	890,978	2,229,431
Net assets released from restrictions (Note 6)	724,750	(724,750)	-
Total revenue	2,063,203	166,228	2,229,431
Program expenses:			
Education	185,472	-	185,472
Sustainability	19,655	-	19,655
Advocacy	578,172	-	578,172
Restoration	240,176	-	240,176
Enforcement	624,956	-	624,956
Special projects	61,372	-	61,372
Total program expenses	1,709,804	-	1,709,804
Supporting services:			
Management and general	131,283	-	131,283
Fundraising	45,635	-	45,635
Total supporting services	176,918	-	176,918
Total expenses	1,886,722	-	1,886,722
Change in net assets	176,481	166,228	342,709
Net Assets:			
Beginning of year	1,823,403	129,729	1,953,132
End of year	$ 1,999,884	$ 295,957	$ 2,295,841

See accompanying Notes to the Financial Statements.

Orange County Coastkeeper
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services						
Expense category	Education	Sustainability	Advocacy	Restoration	Enforcement	Special Projects	Total Program Expenses
Salaries and benefits:							
Salaries and wages	$ 216,946	$ -	$ 305,452	$ 41,810	$ 326,022	$ 72,994	$ 963,224
Payroll taxes	18,061	-	24,134	3,468	23,630	3,523	72,816
Employee benefits	14,265	-	23,215	6,188	12,404	-	56,072
Workers compensation	1,522	-	2,269	284	1,961	3,124	9,160
Total salaries and benefits	250,794	-	355,070	51,750	364,017	79,641	1,101,272
Other expenses:							
Automobile mileage	5,098	-	5,511	894	3,027	947	15,477
Bad debt	-	-	-	-	107,769	-	107,769
Consultants	5,615	-	234,763	30,275	342,553	17,982	631,188
Insurance	275	-	6,519	1,025	-	-	7,819
Other	3,214	-	515	821	714	378	5,642
Postage	137	-	513	18	143	59	870
Printing	493	-	7,936	349	925	1,037	10,740
Rent	-	-	22,562	4,463	-	-	27,025
Supplies and equipment	31,719	-	49,883	4,628	45,063	15,609	146,902
Travel	-	-	4,924	1,790	4,733	-	11,447
Utilities	1,946	-	3,350	380	1,140	-	6,816
Total other expenses	48,497	-	336,476	44,643	506,067	36,012	971,695
Amortization	12,716	-	29,388	9,558	15,178	-	66,840
Interest	2,965	-	6,854	2,229	3,539	-	15,587
Total program services	$ 299,291	$ -	$ 691,546	$ 96,393	$ 870,084	$ 115,653	$ 2,155,394

	Supporting Services			
Expense category	Management and General	Fund - Raising	Total Supporting Services	Total Expenses
Salaries and benefits:				
Salaries and wages	$ 41,684	$ 47,719	$ 89,403	$ 1,052,627
Payroll taxes	3,061	3,494	6,555	79,371
Employee benefits	8,954	4,110	13,064	69,136
Workers compensation	894	317	1,211	10,371
Total salaries and benefits	54,593	55,640	110,233	1,211,505
Other expenses:				
Accounting and auditing	7,000	-	7,000	7,000
Automobile mileage	703	169	872	16,349
Bad debt	-	-	-	107,769
Consultants	1,430	-	1,430	632,618
Insurance	5,658	-	5,658	13,477
Other	3,330	1,599	4,929	10,571
Postage	(170)	166	(4)	866
Printing	5	2	7	10,747
Rent	(9,107)	-	(9,107)	17,918
Supplies and equipment	4,669	16,386	21,055	167,957
Travel	-	-	-	11,447
Utilities	332	417	749	7,565
Total other expenses	13,850	23,060	36,910	1,008,605
Amortization	11,060	4,366	15,426	82,266
Depreciation	32,406	-	32,406	32,406
Interest	2,521	1,018	3,539	19,126
Total supporting services	$ 114,430	$ 84,084	$ 198,514	$ 2,353,908

See accompanying Notes to the Financial Statements.

Orange County Coastkeeper
Statement of Functional Expenses (Continued)
For the Year Ended December 31, 2021

	Program Services						
Expense category	**Education**	**Sustainability**	**Advocacy**	**Restoration**	**Enforcement**	**Special Projects**	**Total Program Expenses**
Salaries and wages	$ 142,309	$ 16,911	$ 246,057	$ 53,350	$ 266,950	$ 50,599	$ 776,177
Payroll taxes	11,188	1,320	20,670	4,181	19,949	2,075	59,383
Employee benefits	8,489	(2,539)	18,900	3,363	10,388	0	38,601
Workers compensation	779	81	1,714	1,123	1,517	64	5,278
Total salaries and benefits	162,765	15,773	287,341	62,017	298,804	52,739	879,439
Automobile mileage	1,195	178	7,649	382	3,683	625	13,712
Consultants	-	225	213,055	155,947	270,864	5,247	645,338
Insurance	1,608	232	3,889	1,529	518	0	7,777
Other	927	118	733	284	838	250	3,150
Postage	29	6	47	29	888	18	1,017
Printing	52	475	4,461	164	567	-	5,719
Rent	-	-	7,727	3,420	2,400	696	14,243
Supplies and equipment	3,203	2,648	12,559	3,509	25,894	1,037	48,850
Utilities	1,467	-	2,834	393	1,169	-	5,863
Total other expenses	8,481	3,882	252,954	165,657	306,821	7,872	745,668
Amortization	11,293	-	30,069	9,925	15,346	604	67,237
Interest	2,933	-	7,808	2,577	3,985	157	17,460
Total program services	$ 185,472	$ 19,655	$ 578,172	$ 240,176	$ 624,956	$ 61,372	$ 1,709,804

	Supporting Services			
Expense category	**Management and General**	**Fund - Raising**	**Total Supporting Services**	**Total Expenses**
Salaries and wages	$ 48,185	$ 33,316	$ 81,501	$ 857,677
Payroll taxes	3,326	3,244	6,570	65,953
Employee benefits	7,360	537	7,897	46,498
Workers compensation	(934)	258	(676)	4,602
Total salaries and benefits	57,936	37,355	95,291	974,730
Accounting and auditing	6,000	-	6,000	6,000
Automobile mileage	725	39	764	14,476
Consultants	2,359	-	2,359	647,697
Insurance	5,739	-	5,739	13,516
Other	4,239	483	4,722	7,872
Postage	626	472	1,098	2,115
Printing	17	82	99	5,818
Rent	4,543	-	4,543	18,786
Supplies and equipment	2,293	913	3,206	52,056
Utilities	251	376	627	6,490
Total other expenses	26,792	2,365	29,157	774,825
Amortization	10,332	4,696	15,028	82,265
Depreciation	33,319	-	33,319	33,319
Interest	2,904	1,219	4,123	21,583
Total supporting services	$ 131,283	$ 45,635	$ 176,918	$ 1,886,722

See accompanying Notes to the Financial Statements.

Orange County Coastkeeper
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (7,003)	$ 342,709
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,406	33,319
Gain on sale of property and equipment.	-	(11,050)
Amortization	82,266	82,265
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Contributions receivable	(105,559)	(242,667)
Grants receivable	-	63,879
Prepaid expense	508	630
Increase (Decrease) in liabilities:		
Accounts and other payables	32,709	12,592
Accrued vacation payable	15,513	(557)
Total adjustments	57,843	(61,589)
Net cash provided by (used in) operating activities	50,840	281,120
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments for loans	-	(150,000)
Payment for lease	(81,315)	(54,716)
Net cash (used in) investing activities	(81,315)	(204,716)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceed from sale of property and equipment	-	11,050
Acquisition of property and equipment	-	(1,490)
Net cash (used in) investing activities	-	9,560
Net increase (decrease) in cash and cash equivalents	(30,475)	85,964
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,874,888	1,788,924
End of year	$ 1,844,413	$ 1,874,888

See accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMETS

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City of Madera
Transportation Development Act Funds
Index to the Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

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Note 1 – Summary of Significant Accounting Policies

The Reporting Entity

The accompanying financial statements present only the Transportation Development Act Funds of the City of Madera (the "TDA Funds") and are not intended to present fairly the financial position, changes in financial position, or cash flows of the City of Madera, California (the "City") with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The financial statements of the TDA Funds of the City have been prepared in conformity with U.S. GAAP as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the TDA Funds' accounting policies are described below.

Financial Statements

The Transportation Development Act ("TDA") provides funding of public transportation through regional planning and programming agencies. Funds are allocated to the City through the county transportation planning agency, the Madera County Transportation Commission ("MCTC"). The TDA Funds account for the City's share of the TDA allocations, which are legally restricted for specific purposes as detailed in applicable sections of the Public Utilities Code.

The accompanying financial statements present only the TDA Funds of the City and are not intended to present fairly the financial position, changes in financial position, or cash flows of the City in conformity with U.S. GAAP.

Fund Accounting

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

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

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

Measurement Focus and Basis of Accounting

The **Street Construction and Intermodal Building Operations Special Revenue Funds** are reported using "*current financial resources"* measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available and expenditures are recognized when the fund liabilities are incurred. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City uses an availability period of 60 days. Revenues that are susceptible to accrual include local transportation fund allocations and investment earnings.

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

The **Local Transit Enterprise Fund** is classified as an enterprise fund using the flow of *"economic resources"* measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Transit Operations Enterprise Fund are passenger fares. Operating expenses include the cost of vehicle maintenance, administrative expenses, and depreciation on capital assets and equipment. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

When both restricted and unrestricted resources are available for use, it is the TDA Funds' policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and Cash Equivalents

The cash is held by the TDA Funds as part of the City's pooled cash and investments. The pooled funds are invested in accordance with the City's investment policy established pursuant to state law. All monies not required for immediate expenses are invested or deposited to earn maximum yield consistent with safety and liquidity. Interest earnings is allocated to the fund based on its proportionate share of the pool. Refer to the City's Basic Financial Statements for disclosures of cash and investments and related risk categorization.

Grants

Grant revenues and amounts due from other governmental agencies are recorded when earned on grants that have been approved and funded by the grantor. Grant sources include Federal Transit Administration (FTA), State Transit Assistance (STA), Local Transportation Funds (LTF), Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and Transit System Safety, Security and Disaster Response Account (TSSSDRA) established pursuant to Proposition 1B approved by the voters of the State of California on November 7, 2006, and Measure A.

Capital Assets

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

Asset Type	Years
Buildings	25-35
Improvements	5-50
Equipment	4-15

Due from Local Governmental Agencies

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

Leases Receivable

Lessor

The City is a lessor for leases of land, primarily cell tower sites, and recognizes leases receivable and deferred inflows of resources related to leases in the financial statements as required by GASB Statement No. 87 *Leases*. At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a straight-line method.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City used U.S. Treasury rates at the time of GASB Statement No. 87 implementation for its existing leases. The District will use the current rate at the time a new lease is executed.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Due to City

These amounts resulted from temporary reclassifications made at June 30, 2022 and 2021, to cover cash shortfalls pending reimbursement from Madera County Transportation Commission or from other governmental agencies.

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then. The TDA Funds have items that qualifies for reporting in this category that is related to pensions.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The TDA Funds has items that qualifies for reporting in this category that is related to pensions, as well as resources for grant revenues not collected within the availability period and unavailable revenue relating to leases.

Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS	2022	2021
Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Measurement period	July 1, 2020 to June 30, 2021	July 1, 2019 to June 30, 2020

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, which will be paid to employees upon separation from service. The Local Transit Enterprise Fund accrues benefits in the period in which they are earned. Liabilities for vacation, holiday benefits and compensatory time are recorded when earned. The amount recorded in Compensated Absences at June 30, 2022 and 2021 for the Local Transit Enterprise Fund was $34,362 and $27,366, respectively.

Transfers Between Funds

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Balance

The Street Construction and Intermodal Building Operations Special Revenue Funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent. Fund balances are categorized as follows:

> Nonspendable - This amount indicated the portion of funds balances which cannot be spent because they are either not in spendable form, such as prepaid items, inventories or loans receivable, or legally or contractually required to be maintained intact, such as the principal portion of an endowment.
>
> Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
>
> Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
>
> Assigned - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the Finance Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
>
> Unassigned - This amount indicates the portion of fund balance that does not fall into one of the above categories. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes, it may be necessary to report negative unassigned fund balance in that particular fund.

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

The City Council establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

Net Position

The Local Transit Proprietary Fund utilizes a net position presentation. Net position is classified as follows:

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Net Investment in Capital Assets – This category of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding and any deferred outflows/inflows of resources related to such borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is offset by unspent proceeds.

Restricted Net Position – This category presents restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Those assets are restricted due to external restrictions imposed by creditors (such as through bond covenants), grantors or laws and regulations of other governments and restrictions imposed through constitutional provisions or enabling legislation.

Unrestricted – This category represents net position of the City that is not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources that are needed.

Use of Estimates

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

Reclassification

For the year ended June 30, 2022, certain classifications may have been changed to improve financial statement presentation. For comparative purposes, prior year balances may have been reclassified to conform with the current fiscal year 2022 presentation.

Note 2 – Deposits in the City's Pool

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The balance of the TDA Funds' cash and investments, as of June 30, 2022 and 2021 were as follows:

	2022	2021
Governmental Funds	$ 8,133	$ -
Proprietary Funds	$ -	$ -

The TDA Funds' cash is deposited in the City's internal investment pool, which is reported at fair value. The TDA Funds' do not own specifically identifiable securities in the City's pool.

Investments earnings is allocated based on average cash balances. Investment policies and associated risk factors applicable to the TDA Funds are those of the City and are included in the City's basic financial statements.

Note 3 – Restrictions

Funds received pursuant to TDA Article 8 in Street Construction and Intermodal Building Operations Special Revenue Funds may only be used for local streets and roads and projects for use by pedestrian and bicycles.

Funds received pursuant to TDA Article 8c in the Local Transit Enterprise Fund may only be used to provide local public transportation services for transit contracts.

As outlined in Public Utilities Code {PUC) Section 99233, LTF funds are restricted for transit services, bicycle and pedestrian facilities and projects, transportation planning and programming, and street construction and maintenance projects.

Note 4 – Leases Receivable

A summary of changes in leases receivable for the fiscal year ended June 30, 2022 was as follows:

Balance July 1, 2021	Additions	Reductions	June 30, 2022	Amounts due within one year	Amounts due in more than one year
$ 86,920	$ -	$ (35,392)	$ 51,528	$ 35,486	$ 16,042

A summary of changes in leases receivable for the fiscal year ended June 30, 2021 was as follows:

Balance July 1, 2020, as restated	Additions	Reductions	June 30, 2021	Amounts due within one year	Amounts due in more than one year
$ 44,569	$ 73,322	$ (30,971)	$ 86,920	$ 35,392	$ 51,528

At June 30, 2022, the required payments for these leases, including interest, are:

Year Ending June 30	Lease Receivable	Interest	Total
2023	$ 35,486	$ 154	$ 35,640
2023	9,608	64	9,672
2023	6,434	13	6,447
	$ 51,528	$ 231	$ 51,759

As of June 30, 2022, the amounts reported as lease-related deferred inflows of resources will be recognized as lease revenue in the upcoming years as follows:

Year Ending June 30	Total
2023	$ 35,479
2024	9,577
2025	6,385
	$ 51,441

Note 5 – Capital Assets

A summary of capital assets for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions/ Reclassification	Balance June 30, 2022
Capital assets, not being depreciated				
Land	$ 320,500	$ -	$ -	$ 320,500
Total capital assets, not being depreciated	320,500	-	-	320,500
Capital assets, being depreciated				
Building and improvements	66,737	-	7,406,606	7,473,343
Equipment	10,092,323	-	(7,406,606)	2,685,717
Total capital assets, being depreciated	10,159,060	-	-	10,159,060
Accumulated depreciation:				
Building and improvements	(198,922)	(190,025)	(446,751)	(835,698)
Infrastructure	(66,279)	-	66,279	-
Equipment	(1,739,214)	(234,846)	380,472	(1,593,588)
Total accumulated depreciation	(2,004,415)	(424,871)	-	(2,429,286)
Total capital assets, being depreciated, net	8,154,645	(424,871)	-	7,729,774
Total capital assets, net	$ 8,475,145	$ (424,871)	$ -	$ 8,050,274

A summary of capital assets for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, not being depreciated				
Land	$ 320,500	$ -	$ -	$ 320,500
Total capital assets, not being depreciated	320,500	-	-	320,500
Capital assets, being depreciated				
Building and improvements	66,737	-	-	66,737
Equipment	10,241,942	413,064	(562,683)	10,092,323
Total capital assets, being depreciated	10,308,679	413,064	(562,683)	10,159,060
Accumulated depreciation:				
Building and improvements	(75,175)	(123,747)	-	(198,922)
Infrastructure	-	(66,279)	-	(66,279)
Equipment	(2,067,050)	(234,847)	562,683	(1,739,214)
Total accumulated depreciation	(2,142,225)	(424,873)	562,683	(2,004,415)
Total capital assets, being depreciated, net	8,166,454	(11,809)	-	8,154,645
Total capital assets, net	$ 8,486,954	$ (11,809)	$ -	$ 8,475,145

Depreciation expense for the years ended June 30, 2022 and 2021 was $424,871 and $424,873, respectively.

Note 6 – Pension Plans

Plan Description

Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Miscellaneous Plan Agent multiple-employer defined benefit plan or the Safety Plan Cost-sharing multiple-employer defined benefit administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Benefits Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

Following are the benefit provisions for each plan:

	City Miscellaneous Plan		
Hire Date	Prior to January 1, 2011	January 1, 2011 thru January 1, 2013	On or After January 1, 2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.000% to 2.500%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution rates	8.00%	7.000%	6.250%
Required employer contribution rates	10.060%	14.154%	10.060%
Final Annual Compensation	1 year	1 year	1 year

Employees Covered

At June 30, 2022 and 2021 (measurement dates 2021 and 2020), the following employees were covered by the benefit terms for the Miscellaneous Plan:

	2022	2021
Active employees	157	166
Inactive employees entitled to but not yet receiving benefits	265	258
Inactive employees or beneficiaries currently receiving benefits	258	255

Note 6 – Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2022 and 2021 (measurement dates 2021 and 2020), the contributions recognized as part of pension expense were:

	2022	2021
Contributions - employer	$ 85,682	$ 15,262
Contributions - employees	20,097	4,048

Net Pension Liability

The Transit Fund's net pension liability is measured as the total pension liability less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	varies by entry age and service
Payroll Growth	2.75%
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS's Membership Data for all Funds (2)
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power applies, 2.5% thereafter

(1) Net of pension plan investment and administrative expenses; includes inflation

(2) The mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

Changes in Assumptions – In both the current and prior years, the actuarial report did not have any changes in assumptions.

Note 6 – Pension Plans (Continued)

Net Pension Liability (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

The long–term expected rate of return on pension plan investments was determined using a building–block method in which best–estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long–term expected rate of return, both short–term and long–term market return expectations as well as the expected pension fund cash flows were considered. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short–term (first 10 years) and the long–term (11–60 years) using a building–block approach. Using the expected nominal returns for both short–term and long–term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short–term and long–term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long–term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return (a)	Long-Term Expected Geometric Real Rate of Return (a)
U.S. Cash	1.22%	-0.32%	-0.32%
U.S. Core Fixed Income	36.04%	1.37%	1.26%
U.S. Equity Market	47.25%	5.33%	3.70%
Foreign Developed Equity	7.97%	6.27%	4.52%
Emerging Market Equities	5.52%	8.64%	4.95%
U.S. REITs	2.00%	5.75%	3.57%

(a) Assumed inflation: 2.30% mean and 1.16% standard deviation

Note 6 – Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents The TDA Fund's net pension liability at June 30, 2022 and 2021, calculated using the discount rate, as well as what The TDA Fund's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	2022	2021
1% Decrease	6.15%	6.15%
Net Pension Liability	$ 269,365	$ 660,060
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$ 163,907	$ 469,936
1% Increase	8.15%	8.15%
Net Pension Liability	$ 76,574	$ 312,599

Changes in the Net Pension Liability

At June 30, 2022 (measurement date 2021), the change in the Net Pension Liability for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2021	$ 1,483,544	$ 1,013,608	$ 469,936
Changes in the year:			
Service cost	44,556	-	44,556
Interest on the total pension liability	184,297	-	184,297
Differences between expected and actual experience	(19,752)	-	(19,752)
Benefit payments, including refunds of member contributions	(153,274)	(153,274)	-
Contributions - employer	-	85,682	(85,682)
Contributions - employee	-	20,097	(20,097)
Net investment income	-	411,161	(411,161)
Administrative expense	-	(1,810)	1,810
Net Changes	55,827	361,856	(306,029)
Balance at June 30, 2022	$ 1,539,371	$ 1,375,464	$ 163,907

At June 30, 2021 (measurement date 2020), the change in the Net Pension Liability for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2020	$ 1,470,996	$ 1,005,760	$ 465,236
Changes in the year:			
Service cost	9,450	-	9,450
Interest on the total pension liability	35,639	-	35,639
Differences between expected and actual experience	(5,662)	-	(5,662)
Benefit payments, including refunds of member contributions	(26,879)	(26,879)	-
Contributions - employer	-	15,262	(15,262)
Contributions - employee	-	4,048	(4,048)
Net investment income	-	17,403	(17,403)
Administrative expense	-	(1,986)	1,986
Net Changes	12,548	7,848	4,700
Balance at June 30, 2021	$ 1,483,544	$ 1,013,608	$ 469,936

Note 6 – Pension Plans (Continued)

Changes in the Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2022 and 2021, The Transit Fund recognized pension expense of $34,346 and $98,414, respectively. At June 30, 2022 and 2021, The Transit Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	$ 47,191	$ -	$ 69,469	$ -
Differences between expected and actual experience	1,096	(8,237)	14,631	(12,018)
Changes in assumptions	-	-	-	(2,564)
Net differences between projected and actual earnings on pension plan investments	-	(88,401)	26,580	(17,795)
Total	$ 48,287	$ (96,638)	$ 110,680	$ (32,377)

The $47,191 and $69,469 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the two plans will be recognized as a reduction of the net pension liability in the year ended June 30, 2023 and 2022, respectively.

As of the measurement dates, June 30, 2021 and 2020, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

2022		2021	
Year Ended June 30	Miscellaneous Plan	Year Ended June 30	Miscellaneous Plan
2023	$ (27,618)	2022	$ (131)
2024	(22,369)	2023	(6)
2025	(21,202)	2024	4,986
2026	(24,353)	2025	3,985
2027	-	2026	-
Total	$ (95,542)	Total	$ 8,834

Payable to the Pension Plan

As of June 30, 2022 and 2021, the City reported a payable of $0 for the outstanding amount of contributions to the Miscellaneous pension plan required for the years ended June 30, 2022 and 2021.

Note 7 – Fare Ratio

The City is required to maintain a minimum fare revenue to operating expenses ratio of 15% in accordance with the Transportation Development Act. The amounts included in the fare box ratio calculation represent only the Madera Metro and Dial-A-Ride divisions of the Local Transit Fund and are not meant to be a representative of the Local Transit Fund as a whole.

The calculation of the fare revenue ratio for Madera Metro and Dial-A-Ride is as follows for the year ended June 30, 2022:

	Madera Metro	Dial-A-Ride	Total
Passenger fares	$ -	$ -	$ -
LCTOP fare supplement	24,775	-	24,775
Interest	-	469	469
Total fares	$ 24,775	$ 469	$ 25,244
Operating expenses	$ 1,790,816	$ 1,042,075	$ 2,832,891
Allowable TDA adjustments:			
Depreciation	(261,037)	(17,037)	(278,074)
Net operating expenses	$ 1,529,779	$ 1,025,038	$ 2,554,817
Fare revenue ratio	1.62%	0.05%	0.99%

The calculation of the fare revenue ratio for Madera Metro and Dial-A-Ride (DAR) is as follows for the year ended June 30, 2021:

	Madera Metro	Dial-A-Ride	Total
Passenger fares	$ -	$ -	$ -
LCTOP fare supplement	-	-	-
Interest	-	768	768
Total fares	$ -	$ 768	$ 768
Operating expenses	$ 1,333,902	$ 754,157	$ 2,088,059
Allowable TDA adjustments:			
Depreciation	(80,615)	(70,365)	(150,980)
Net operating expenses	$ 1,253,287	$ 683,792	$ 1,937,079
Fare revenue ratio	0.00%	0.11%	0.04%

As of April 16, 2020, the City eliminated fares due to COVID-19, which therefore had an impact on fare collections. Although the City is required to maintain a fare revenue ratio of 15%, Assembly Bill 90 waived the fare revenue ratio penalty for operators not meeting the ratio requirement for the fiscal years ending June 30, 2022 and 2021.

Note 8 – Proposition 1B (PTMISEA)

In November 2006, California Voters passed a bond measure enacting the Highway Safety Traffic Reduction, Air Quality and Port Security Bond Act of 2006. Of the $19.925 billion of State general obligation bonds authorized, $4 million was set aside by the State, as instructed by statute, as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements and for rolling stock procurement, rehabilitation or replacement. Proposition 1B activities during the fiscal years ended June 30, 2022 and 2021 was as follows

	2022	2021
Unspent PTMISEA Funds, beginning of year	$ -	$ -
Funds received	1,128	-
Funds used	(1,128)	-
Unspent PTMISEA Funds, end of year	$ -	$ -

Note 9 – Net Position Unrestricted Deficit / Deficit Fund Balance

As of June 30, 2022 and 2021, the Local Transit Enterprise Fund ended the year in a deficit unrestricted net position of $171,685 and $343,591, respectively. The unrestricted net position (deficit) results primarily from the recording of the Local Transit Enterprise Fund's net pension liability.

As of June 30, 2022 and 2021, the Street Construction Special Revenue Fund ended the year in a deficit fund balance of $1,204,359 and $1,171,649, respectively. The City plans to eliminate the deficit fund balance through a local transportation fund reimbursement.

Note 10 – Contingencies

Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. Liabilities for the probable amounts of loss associated with these claims are covered through the Central San Joaquin Valley Risk Management Authority. The City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

TDA Funds

The TDA funds are subject to program compliance audits by the grantors and their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 11 – Restatements

As a result of implementation of GASB Statement No. 87, *Leases*, certain accounts as of June 30, 2021 have been restated as follows:

	Originally Reported	Adjustments	As Restated
Balance Sheet - Governmental Funds			
Leases receivable	$ -	$ 86,920	$ 86,920
Lease-related deferred inflows of resources	-	(86,920)	(86,920)
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds			
Interest revenue	-	326	326
Building rents and leases	30,310	(326)	29,984

REQUIRED SUPPLEMENTARY INFORMATION

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City of Madera
Transportation Development Act Funds
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Street Construction Special Revenue Fund
For the Year Ended June 30, 2022

Note 1 – Budgetary Information

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

1. The department heads prepare a budget request based upon the previous year's expenditures.

2. A meeting is held between the department heads, the Finance Director and the City Administrator for the purpose of reviewing and prioritizing the budget requests.

3. The City Administrator submits the proposed City budget to the City Council, who makes decisions regarding department budgets.

4. The approved budget is placed in the City accounting system and monitored by the Finance Department as well as by the department heads.

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

6. Budgets are adopted on the modified accrual basis. Revenues are budgeted in the year receipt is expected, and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. Budgeted amounts are maintained as originally adopted and as further amended by the City Council. The level of control (level at which expenditures may not exceed budget) is at fund level for the Transportation Development Act Funds.

City of Madera
Transportation Development Act Funds
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Street Construction Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable/
	Original	Final	Amounts	(Unfavorable)
REVENUES:				
Local transportation funds	$ 3,627,266	$ 3,640,222	$ 665,618	$ (2,974,604)
Total revenues	3,627,266	3,640,222	665,618	(2,974,604)
EXPENDITURES:				
Street and road maintenance	2,217,145	2,285,424	171,960	2,113,464
Adminstration	-	12,956	14,368	(1,412)
Total expenditures	2,217,145	2,298,380	186,328	2,112,052
REVENUES OVER (UNDER) EXPENDITURES	1,410,121	1,341,842	479,290	(862,552)
OTHER FINANCING SOURCES (USES):				
Transfers out	(512,000)	(512,000)	(512,000)	-
Total other financing sources (uses)	(512,000)	(512,000)	(512,000)	-
Net change in fund balance	$ 898,121	$ 829,842	(32,710)	$ (862,552)
FUND BALANCE (DEFICIT):				
Beginning of year			(1,171,649)	
End of year			$ (1,204,359)	

City of Madera
Transportation Development Act Funds
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Street Construction Special Revenue Fund
For the Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
REVENUES:				
Local transportation funds	$ 749,919	$ 749,919	$ 966,120	$ 216,201
Total revenues	749,919	749,919	966,120	216,201
EXPENDITURES:				
Street and road maintenance	294,645	4,024,464	2,118,459	1,906,005
Adminstration	888	888	1,009	(121)
Total expenditures	295,533	4,025,352	2,119,468	1,905,884
REVENUES OVER (UNDER) EXPENDITURES	454,386	(3,275,433)	(1,153,348)	2,122,085
OTHER FINANCING SOURCES (USES):				
Transfers out	(512,000)	(512,000)	(512,000)	-
Total other financing sources (uses)	(512,000)	(512,000)	(512,000)	-
Net change in fund balance	$ (57,614)	$ (3,787,433)	(1,665,348)	$ 2,122,085
FUND BALANCE (DEFICIT):				
Beginning of year			493,699	
End of year			$ (1,171,649)	

City of Madera
Transportation Development Act Funds
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Intermodal Building Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable/
	Original	Final	Amounts	(Unfavorable)
REVENUES:				
Other intergovernmental	$ 92,459	$ 92,459	$ 90,087	$ (2,372)
Investment income (loss)	-	-	248	248
Building rents and leases	37,500	37,500	35,967	(1,533)
Utility reimbursements	-	-	1,044	1,044
Total revenues	129,959	129,959	127,346	(2,613)
EXPENDITURES:				
Intermodal building improvements	38,944	38,944	38,358	586
Adminstration	101,522	101,522	88,269	13,253
Total expenditures	140,466	140,466	126,627	13,839
REVENUES OVER (UNDER) EXPENDITURES	(10,507)	(10,507)	719	11,226
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,336)	(2,336)	(249)	2,087
Total other financing sources (uses)	(2,336)	(2,336)	(249)	2,087
Net change in fund balance	$ (12,843)	$ (12,843)	470	$ 13,313
FUND BALANCE:				
Beginning of year			25,978	
End of year			$ 26,448	

City of Madera
Transportation Development Act Funds
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – Intermodal Building Special Revenue Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Favorable/
	Original	Final	Amounts	(Unfavorable)
REVENUES:				
Local transportation funds	$ 65,000	$ 65,000	$ -	$ (65,000)
Other intergovernmental	65,000	65,000	22,417	(42,583)
Investment income (loss)	-	-	326	326
Building rents and leases	-	-	29,984	29,984
Utility reimbursements	-	-	58,243	58,243
Total revenues	130,000	130,000	110,970	(19,030)
EXPENDITURES:				
Intermodal building improvements	37,893	37,893	37,218	675
Adminstration	70,631	70,631	64,452	6,179
Total expenditures	108,524	108,524	101,670	6,854
REVENUES OVER (UNDER) EXPENDITURES	21,476	21,476	9,300	(12,176)
OTHER FINANCING SOURCES (USES):				
Transfers out	(244)	(244)	(11,693)	(11,449)
Total other financing sources (uses)	(244)	(244)	(11,693)	(11,449)
Net change in fund balance	$ 21,232	$ 21,232	(2,393)	$ (23,625)
FUND BALANCE:				
Beginning of year			28,371	
End of year			$ 25,978	

City of Madera
Transportation Development Act Funds
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Years
As of June 30, 2022

Miscellaneous Plan

Measurement period, year ended	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015[1]
Total pension liability							
Service cost	$ 44,556	$ 9,450	$ 9,529	$ 35,157	$ 45,758	$ 23,194	$ 55,836
Interest on total pension liability	184,297	35,639	31,322	100,662	139,221	79,747	187,358
Differences between expected and actual experience	(19,752)	(5,662)	(17,373)	17,767	70,384	1,771	(9,944)
Changes in assumptions	-	-	-	(10,968)	111,629	-	(43,820)
Changes in benefit terms	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(153,274)	(26,879)	(22,632)	(69,901)	(95,528)	(52,635)	(125,713)
Net change in total pension liability	55,827	12,548	846	72,717	271,464	52,077	63,717
Total pension liability - beginning	1,483,544	1,470,996	1,470,150	1,397,433	1,125,969	1,073,892	1,137,609
Total pension liability - ending (a)	$ 1,539,371	$ 1,483,544	$ 1,470,996	$ 1,470,150	$ 1,397,433	$ 1,125,969	$ 1,073,892
Plan fiduciary net position							
Contributions - employer	47,937	43,907	43,613	40,011	35,280	29,624	24,378
Contributions - employee	12,075	11,431	3,226	1,140	10,395	17,221	13,938
Investment income (net of administrative expenses)	247,045	49,142	16,026	6,440	72,614	6,269	22,986
Benefit payments	(2,555)	(75,901)	(22,632)	(69,901)	(95,528)	(52,635)	(125,713)
Plan to plan resources	-	-	1	-	(22)	9	-
Other	41,862	(1,392)	(29,932)	(40,179)	(187,079)	11,102	(2,184)
Net change in plan fiduciary net position	346,364	27,187	10,302	(62,489)	(164,340)	11,590	(66,595)
Plan fiduciary net position - beginning	1,013,608	1,005,760	1,016,062	953,573	789,233	800,823	734,228
Plan fiduciary net position - ending (b)	$ 1,375,464	$ 1,013,608	$ 1,005,760	$ 1,016,062	$ 953,573	$ 789,233	$ 800,823
Net pension liability - ending (a)-(b)	$ 163,907	$ 469,936	$ 465,236	$ 454,088	$ 443,860	$ 336,736	$ 273,069
Plan fiduciary net position as a percentage of the total pension liability	89.35%	68.32%	68.37%	69.11%	68.24%	70.09%	74.57%
Covered payroll	$ 148,115	$ 158,985	$ 184,737	$ 201,000	$ 155,118	$ 141,403	$ 135,484
Net pension liability as a percentage of covered payroll	110.66%	295.59%	251.84%	225.91%	286.14%	238.14%	201.55%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

[1] Historical information is presented only for measurement periods for which GASB 68 is applicable.

City of Madera
Transportation Development Act Funds
Required Supplementary Information (Unaudited)
Schedule of Contributions
Last Ten Years
For the Year Ended June 30, 2022

Miscellaneous Plan

Fiscal Year:	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14[1]
Contractually determined contribution (actuarially determined)	#REF!	$ 47,937	$ 43,907	$ 43,613	$ 40,011	$ 35,280	$ 29,624	$ 24,378	$ 22,281
Contributions in relation to the actuarially determined contributions	#REF!	(47,937)	(43,907)	(43,613)	(40,011)	(35,280)	(29,624)	(24,378)	(22,281)
Contribution deficiency (excess)	#REF!	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 83,708	$ 148,115	$ 158,985	$ 184,737	$ 201,000	$ 155,118	$ 141,403	$ 135,484	$ 134,940
Contributions as a percentage of covered payroll	#REF!	32.36%	27.62%	23.61%	19.91%	22.74%	20.95%	17.99%	16.51%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2022 were derived from the June 30, 2019 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2017 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll growth	2.75%
Investment rate of return	7.00% net of pension plan investment and administrative expenses.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 and 2015.
Mortality	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 and 2015. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

[1] Information only presented from the implementation year

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COMPLIANCE REPORT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
of the City of Madera
Madera, California

We have audited, in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the Transportation Development Act Funds (the "TDA Funds") of the City of Madera, California (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the TDA Transit Funds' financial statements, and have issued our report thereon dated April 21, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TDA Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* described in the accompanying schedule of findings as item 2022-001.

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Imperial County Transportation Commission, for the year ended June 30, 2022. In connection with our audit, we performed to the extent applicable, the compliance audit tasks set forth in Sections §6666 and §6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the *California Code of Regulations*. The results of performing the tasks specified above disclosed one instance of noncompliance with the applicable statutes, rules, and regulations of the Act, and the allocation instructions and resolutions of the Madera County Transportation Commission. In our opinion, the funds allocated to and received by the TDA Funds for the year ended June 30, 2022, pursuant to the Transportation Development Act, were accounted for and expended in conformance with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Imperial County Transportation Commission.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and to express an opinion on the compliance of the TDA Funds with the Transportation Development Act, the California Code of Regulations, and the allocation instructions and resolutions of the Madera County Transportation Commission, and not to provide an opinion on the effectiveness of the TDA Funds' internal control or on other compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the TDA Funds' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

Walnut Creek, California
April 21, 2023

Finding 2022-001 – Late Submission of Certified Fiscal Audit

Criteria:

Pursuant to the California Public Utilities Code section 99245 and California Code of Regulations, Title 21, sections 6663 and 6664, "requires that each claimant expending transit and funds submit a fiscal and compliance report issued by an independent auditor to the State Controller's Office annually and within 180 days after the end of the fiscal year. The responsible entity (transportation planning agency, county transportation commission, or metropolitan transit development board) may grant an extension to the claimant of up to 90 days as it deems necessary. Except for the claimant's first report, the report must also include the audited amounts for the fiscal year prior to the fiscal year audited. If a claimant has delinquent transit or audit reports, the responsible entity will suspend payments until the claimant's audit report submissions are current."

Condition:

The City has experienced significant delays in the preparation and issuance of the 2022 TDA financial statements as required under Public Utilities Code (PUC) Section 99245 and California Code of Regulations (CCRs), Title 21, Sections 6663 and 6664.

Cause:

The City has experienced significant turnover in key personnel in the City's finance department in past years. Absent robust accounting policies and procedures, when vacancies occur information can be lost and as individuals are getting up to speed, some processes may not be fully executed if they are manual and not fully embedded into an automated system. Staff had to take on additional responsibilities and did not have sufficient resources to review and reconcile the sub-ledger to the general ledger in a timely manner.

Context:

The City's TDA financial statements were not submitted within the required time frame under the TDA requirements.

Effect:

Delays in processing year-end closing procedures caused the financial statements release to be delayed. In addition, the City is neither in compliance with PUC and CCRs, nor is it meeting its current demands for external financial reporting.

Recommendation:

The Finance Department should look at increasing the amount of experienced finance staff to help facilitate year-end closing processes and the preparation of its basic financial statements. Because the basic financial statements are the responsibility of the City, it is in its own best interest to closely monitor the accounting process to ensure that financial position and operating results are accurately and timely reported. The following steps could be used to avoid future delays:

- Assign additional qualified accounting personnel to help process complex transactions;
- Identify critical due dates and develop a listing of assignment, including department coordinated items, based on available resources to meet those due dates;
- Hold periodic meetings to monitor the progress of assignments and responsibilities; and
- Conduct management review of financial statements and audit schedules prior to presenting them to the auditors.

Finding 2022-001 – Late Submission of Certified Fiscal Audit (Continued)

Management's View and Corrective Action Plan:

City management concurs with the auditor's comments and recommendations. The Interim Finance Director will work closely with the City Manager to explore options for adding additional accounting staff or consulting services. The Finance Department will also implement the other actions recommended by the auditor.