

CITY OF ORANGE COVE, CALIFORNIA
MEASURE "C" TRANSPORTATION SALES TAX FUNDS
LOCAL TRANSPORTATION PROGRAM

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
AND
COMPLIANCE REPORT

FOR THE YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fresno County Transportation Authority
Fresno, California

We have audited the accompanying basic financial statements of the City of Orange Cove, California pertaining to the Measure "C" Transportation Sales Tax funds as recorded in the City's Measure "C" Fund, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Orange Cove, California's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Governmental Auditing Standards," issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements pertaining to the Measure "C" Transportation Sales Tax funds are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

As discussed in Note 1, the financial statements presented are only for the funds referred to above and do not purport to, and do not, present fairly the financial position of the City of Orange Cove, California at June 30, 2011, or the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position for the Measure "C" Transportation Sales Tax funds as recorded in the Measure "C" Fund of the City of Orange Cove, California, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

As discussed in Note 1 to the financial statements, as of July 1, 2010, the City of Orange Cove, California adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with "Government Auditing Standards," we have also issued our report dated September 27, 2012, on our consideration of the City of Orange Cove, California'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 the internal control over financial reporting or on compliance. The 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Orange Cove, California pertaining to the Measure "C" Transportation Sales Tax funds as recorded in the Measure "C" Fund. The supplementary schedules and other reports section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Orange Cove, California pertaining to the Measure "C" Transportation Sales Tax funds as recorded in the City of Orange Cove, California's Measure "C" Fund. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements taken as a whole.

Management of the City of Orange Cove, California has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
September 27, 2012

BASIC FINANCIAL STATEMENTS

CITY OF ORANGE COVE, CALIFORNIA
 MEASURE "C" TRANSPORTATION SALES TAX FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	<u>Governmental Activities</u>
Assets:	
Cash	\$ 746,888
Interest receivable	424
Due from Fresno County Transportation Authority	<u>17,224</u>
Total assets	<u>764,536</u>
Liabilities:	
Accounts payable	<u>1,200</u>
Total liabilities	<u>1,200</u>
Net assets:	
Restricted	<u>763,336</u>
Total net assets	<u><u>\$ 764,536</u></u>

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

CITY OF ORANGE COVE, CALIFORNIA
MEASURE “C” TRANSPORTATION SALES TAX FUNDS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Fresno County Transportation Authority (the “Authority”) was created by the approval of Measure C by the voters of Fresno County (the “County”) in November 1986. Measure C authorized the imposition of a ½% sales and use tax (sales tax) in the County for 20 years. The proceeds of Measure C are principally reserved for highway improvements, local transportation improvements, growth management and regional planning purposes (programs) in the County. The ½% sales tax commenced July 1, 1987 and expired on June 30, 2007.

In November 2006, the County voters approved a ballot measure authorizing the Authority to continue the ½% retail transaction and use tax for an additional 20 years. Under the terms of the extension of the Measure C program, proceeds of Measure C are principally reserved for regional public transit, local transportation, regional transportation, alternative transportation and environmental enhancement programs in the County. The ½% sales tax commenced July 1, 2007 and will expire on June 30, 2027.

The sales tax revenues received by the Authority under Measure C, after deducting certain administrative costs, are to be spent for programs as set forth in the expenditure plan included in Measure C and approved by the voters of the County. All revenues, including interest and other revenues, not designated by Measure C for a specific purpose are to be spent on capital projects for other government agencies set forth in the expenditure plan. The expenditure plan will be updated every two years to adjust the projection of sales tax receipts.

The primary elements of the 2006 Measure C Extension Sub-Programs consist of the following:

- **Regional Public Transit Program** – will fund projects dealing with bus route maintenance, expansion of buses, bus services, bus shelters and public transit safety measures.
 - Public Transit Agencies (Fresno Area Express (FAX), Clovis Transit and Fresno County Rural Transit Agency (FCRTA))
 - The goal of all transit agencies within the County who derive funding allocations from this program is to improve the level of public transit services within the County and to continue to seek ways to coordinate and/or consolidate services in order to achieve a seamless passenger travel system for the public. Priority service improvements planned for each agency include improving frequency of service, extending weekend service hours, enhancing Para-transit services to the senior or disabled community, and installing and integrating a regional automated farebox system to enhance transit coordination.

CITY OF ORANGE COVE, CALIFORNIA
MEASURE “C” TRANSPORTATION SALES TAX FUNDS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Reporting Entity (Continued)

- Farmworker/Car/Van Pools
 - Farmworker Van Pool – Measure C funds will be used to subsidize Farmworker Van Pool programs within the County, providing an equal opportunity for both public and private industry competition, as well as potential public/private partnerships. Vanpools must originate in the County and allow for safe effective transportation to and from work.
 - The Measure C Car Pool program is an incentive program to the County residents to carpool with at least one other person, two days per week. The program offers incentives in the form of cash prizes and services from participating vendors and a grand prize of a hybrid vehicle.
 - The Measure C Van Pool program offers a variety of subsidies and reimbursements to help ensure that commuters reach their destinations safely by using a cost-effective alternative to a single occupant vehicle.
- **Local Transportation Program** – will go towards the local transportation program projects such as filling potholes, re-paving streets, improving sidewalks, catering to pedestrians and maintaining trails and bicycle systems.
 - Local Allocation
 - Street Maintenance – A mandated 50% of the local transportation program must be earmarked for street maintenance/rehabilitation such as pothole repair, patching or overlay projects. An agency may reserve these funds for no more than five years to fund a large street maintenance project.
 - ADA Compliance – These funds are set aside for the local agencies to meet the current requirements of the Americans with Disabilities Act. Jurisdictions that receive less than \$200,000 annually from the total local transportation program would be exempt from this provision.
 - Flexible Funding – The flexible funding sub-program allows the local agency to utilize these funds on transportation related projects.
 - Pedestrian Trails – Urban (Clovis & Fresno Sphere of Influence) and Rural
 - Approximately 3% of Measure C is provided to fund significant improvements to the existing planned pedestrian and trail system. The funds can also be used for needs such as signage, striping and master plan updates. Jurisdictions with a population threshold less than 25,000 would be exempt from this provision and receive these funds in the Flexible Funding program.

CITY OF ORANGE COVE, CALIFORNIA
MEASURE “C” TRANSPORTATION SALES TAX FUNDS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Reporting Entity (Continued)

- Bicycle Facilities
 - Approximately 1% of Measure C is provided to fund significant improvements to the existing and planned bicycle facilities and/or systems. Bicycle Trail funds may be used for Class II bicycle facilities, signage and striping and for the development of the Master Plan. Jurisdictions with a population threshold less than 25,000 would be exempt from this provision and receive these funds in the Flexible Funding program.
- **Regional Transportation Program** – will fund projects centered on improving and making changes to the freeway lanes and commuter corridors. This fund will also cover road safety measures.
- **Alternative Transportation Program** – will be used towards safety measures for emergency vehicles and school routes, reducing traffic congestion and facilitating new under-passes or over-passes.
- **Environmental Enhancement Program** – will accommodate the school bus replacement programs and deal with other transit related development.
- **Administration/Planning Program** – will help to prepare updates for the expenditure plan and develop and administer other planning related activities.

The financial statements presented are only from the accounts and financial transactions of the Measure “C” Transportation Sales Tax funds as recorded in the Measure “C” Fund of the City of Orange Cove, California. Accordingly, they do not present the financial position or the results of operations of the City of Orange Cove, California or its Special Revenue Fund types.

b. Basis of Presentation

The City of Orange Cove, California pertaining to Measure “C” Transportation Sales Tax funds as recorded in the City of Orange Cove, California’s Measure “C” Fund basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

CITY OF ORANGE COVE, CALIFORNIA
MEASURE "C" TRANSPORTATION SALES TAX FUNDS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Basis of Presentation (Continued)

Government-Wide Statements:

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the City of Orange Cove, California pertaining to Measure "C" Transportation Sales Tax funds as recorded in the City of Orange Cove, California's Measure "C" Fund. For the most part, the effect of interfund activity has been removed from these statements.

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

c. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "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. Expenditures, other than interest on long-term obligations which is recorded when paid, are recorded when they are expected to be liquidated with expendable available resources.

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

CITY OF ORANGE COVE, CALIFORNIA
MEASURE "C" TRANSPORTATION SALES TAX FUNDS
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Implementation of Governmental Accounting Standards Board 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 City has implemented GASB Statement No. 54 on the financial statements for the fiscal year ended June 30, 2011.

2. CASH AND INVESTMENTS

Cash is pooled with the City's cash and investments. Income from the investment of pooled cash is allocated on a monthly basis, based upon the actual daily balance of the fund as a percentage of the total pooled cash balance. Cash and investments consist of U.S. government-backed securities and investments in the State of California Local Agency Investment Fund, as well as banker acceptances, commercial paper and money market funds and are not identified with any single fund of the City. The City values all of its cash and investments at fair value on a portfolio basis. The City manages its pooled idle cash and investments under a formal investment policy that is adopted and reviewed by the City, and that follows the guidelines of the State of California Government Code.

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

Citywide information concerning cash and investments for the year ended June 30, 2011, including authorized investments, custodial credit risk, credit and interest rate risk for debt securities and concentration of investments, carrying amount and market value of deposits and investments, may be found in the notes of the City's annual financial report.

3. FUND BALANCE

As prescribed by GASB Statement No. 54, governmental funds report fund balances 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 balance for the City's Measure "C" Transportation Sales Tax funds is classified as restricted, which represents amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

OTHER SUPPLEMENTARY INFORMATION

CITY OF ORANGE COVE, CALIFORNIA
MEASURE "C" TRANSPORTATION SALES TAX FUNDS
BALANCE SHEET
JUNE 30, 2011

	<u>Street Maintenance</u>	<u>ADA Compliance</u>	<u>Flexible Funding</u>	<u>Total</u>
Cash	\$ 247,292	\$ 10,262	\$ 489,334	\$ 746,888
Interest receivable	424	-	-	424
Due from FCTA	<u>7,538</u>	<u>246</u>	<u>9,440</u>	<u>17,224</u>
 Total assets	 <u>\$ 255,254</u>	 <u>\$ 10,508</u>	 <u>\$ 498,774</u>	 <u>\$ 764,536</u>
 Liabilities:				
Accounts payable	\$ 1,200	\$ -	\$ -	\$ 1,200
 Fund balance:				
Restricted	<u>254,054</u>	<u>10,508</u>	<u>498,774</u>	<u>763,336</u>
 Total liabilities and fund balance	 <u>\$ 255,254</u>	 <u>\$ 10,508</u>	 <u>\$ 498,774</u>	 <u>\$ 764,536</u>

CITY OF ORANGE COVE, CALIFORNIA
MEASURE "C" TRANSPORTATION SALES TAX FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Street Maintenance</u>	<u>ADA Compliance</u>	<u>Flexible Funding</u>	<u>Total</u>
Revenues:				
Intergovernmental allocations	\$ 119,073	\$ 4,016	\$ 136,965	\$ 260,054
Interest	<u>536</u>	<u>17</u>	<u>875</u>	<u>1,428</u>
Total revenues	<u>119,609</u>	<u>4,033</u>	<u>137,840</u>	<u>261,482</u>
Expenditures	<u>78,186</u>	<u>-</u>	<u>56,570</u>	<u>134,756</u>
Total expenditures	<u>78,186</u>	<u>-</u>	<u>56,570</u>	<u>134,756</u>
Net change in fund balance	41,423	4,033	81,270	126,726
Fund balance, beginning of year	<u>212,631</u>	<u>6,475</u>	<u>417,504</u>	<u>636,610</u>
Fund balance, end of year	<u>\$ 254,054</u>	<u>\$ 10,508</u>	<u>\$ 498,774</u>	<u>\$ 763,336</u>

COMPLIANCE REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
“GOVERNMENT AUDITING STANDARDS” AND THE RULES AND
REGULATIONS OF THE MEASURE “C” ENABLING LEGISLATION

To the Board of Directors
Fresno County Transportation Authority
Fresno, California

We have audited the basic financial statements of the City of Orange Cove, California pertaining to the Measure “C” Transportation Sales Tax funds as recorded in the City’s Measure “C” Fund, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 27, 2012. 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. Our audit was further made to determine that allocations made and expended by the City were made in accordance with the Measure “C” Enabling Legislation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Orange Cove, California’s internal control over financial reporting pertaining to the Measure “C” Transportation Sales Tax funds as recorded in the Measure “C” Fund 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 the City of Orange Cove, California’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Orange Cove, California’s internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
“GOVERNMENT AUDITING STANDARDS” AND THE RULES AND
REGULATIONS OF THE MEASURE “C” ENABLING LEGISLATION
(CONTINUED)

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Orange Cove, California’s financial statements pertaining to the Measure “C” Transportation Sales Tax funds as recorded in the Measure “C” Fund 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.”

This report is intended solely for the information and use of the Fresno County Transportation Authority’s management and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
September 27, 2012