

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
COUNTY OF FRESNO**

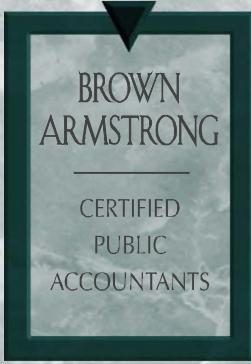
**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
JUNE 30, 2011**

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BROWN ARMSTRONG  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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We have audited the accompanying financial statements of the governmental activities and each major fund of the Fresno County Transportation Authority (Authority), as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fresno County Transportation Authority 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.

As discussed in Note 1 to the financial statements, during the year ended June 30, 2011, the Authority 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 December 12, 2011, on our consideration of the Authority'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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 28 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Bakersfield, California  
December 12, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

This section of the Fresno County Transportation Authority (FCTA) annual financial report presents a discussion and analysis of FCTA's financial performance during the fiscal year ended June 30, 2011. Please read the information contained in this discussion and analysis in conjunction with FCTA's basic financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- The assets of FCTA exceeded liabilities (referred to as net assets) at the end of the 2010-2011 fiscal year by \$182,946,407. Of this amount, \$102,200,604 is considered unrestricted net assets, \$80,740,863 is restricted net assets and limited for specific purposes, and \$4,940 is invested in capital assets.
- FCTA's total net assets increased by \$6,098,912. This increase is primarily attributable to the extension of the Measure C Program started on July 1, 2007. Revenue received and allocated to capital projects as directed by the Measure C Extension program during the year was greater than capital project expenses during the fiscal year ended June 30, 2011, thereby resulting in higher cash balances.
- As of June 30, 2011, FCTA governmental funds reported combined fund balances of \$182,188,874, which is an increase of \$5,805,434 from last year's combined fund balance.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to FCTA's basic financial statements. FCTA's basic financial statements comprise three components: 1) **Government-wide** financial statements; 2) **Fund** financial statements; and 3) **Notes** to the basic financial statements. Required Supplementary Information (RSI) is included in addition to the basic financial statements.

**Government-Wide Financial Statements** are designed to provide readers with a broad overview of FCTA's finances, in a manner similar to a private-sector business. Therefore, the statements are reported using the accrual basis of accounting. Please refer to Note 1 for further information on the accrual basis of accounting.

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

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

Both of these government-wide financial statements distinguish functions of FCTA that are principally supported by intergovernmental revenues and sales taxes (*governmental activities*) from other functions that are intended to recover all, or in part, a portion of its costs through user fees and charges (*business-type activities*). The governmental activity of FCTA is in public ways and facilities. During the fiscal year reported, FCTA did not have any business-type activities.

**The government-wide financial statements can be found on pages 9 – 10 of this report.**

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. FCTA, like other State and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The fund financial statements are reported using the modified accrual basis of accounting, which was designed to reflect budgetary processes used by governments. See Note 1, Section B, for further information regarding the modified accrual basis of accounting. FCTA's funds can be divided into two categories: governmental funds (general fund and special revenue fund) and fiduciary funds (special purpose trust fund).

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. FCTA's general fund and special revenue fund budgetary comparison schedules are presented in RSI. FCTA adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison schedules are thus provided for the general fund and special revenue fund to demonstrate compliance with this budget.

FCTA reports two individual major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

**The governmental funds financial statements can be found on pages 11 – 14 of this report**

**Fiduciary funds** are used to account for resources held by FCTA in a trustee or agency capacity for others (i.e., Local Agencies). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support FCTA's own programs. The type of fiduciary fund used by FCTA can be further classified as a *special-purpose trust fund*. There are two basic financial statements used to report information on the fiduciary funds: the statement of fiduciary net assets (required for all fiduciary funds) and the statement of changes in fiduciary net assets (required for all fiduciary funds except agency funds).

**The fiduciary fund financial statements can be found on page 15 – 16 of this report.**

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 17 – 27 of this report.

**Required Supplementary Information** is presented for the budgetary comparison schedules of the general fund and special revenue fund, which is presented immediately following the notes to the basic financial statements.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This fiscal year is the eighth accounting period in which FCTA has applied Governmental Accounting Standards Board (GASB) Statement No. 34. FCTA has provided the prior period for purposes of providing the comparative data for the Management's Discussion and Analysis.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of FCTA, assets exceeded liabilities by \$182,946,407 at the close of fiscal year 2010-2011.

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<u>Governmental Activities</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current and other assets	\$ 189,364,496	\$ 179,753,491
Capital assets	<u>4,940</u>	<u>7,962</u>
Total assets	<u>189,369,436</u>	<u>179,761,453</u>
Other liabilities	6,380,694	2,879,671
Long-term liabilities	<u>42,335</u>	<u>34,287</u>
Total liabilities	<u>6,423,029</u>	<u>2,913,958</u>
Net assets:		
Invested in capital assets	4,940	7,962
Restricted net assets	80,740,863	100,818,627
Unrestricted surplus	<u>102,200,604</u>	<u>76,020,906</u>
Total net assets	<u><u>\$ 182,946,407</u></u>	<u><u>\$ 176,847,495</u></u>

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

One portion of FCTA net assets, in the amount of \$4,940, represents its investment in capital assets (equipment). FCTA has no debt used to acquire those assets outstanding. FCTA uses these capital assets in day-to-day operations. Consequently, these assets are not available for future spending.

Another significant portion of FCTA net assets is unrestricted surplus in the amount of \$102,200,604, which primarily represents the unspent and assigned cash balances in the general and special revenue funds.

The remaining balance of the County's net assets of \$80,740,863 represents resources that are subject to external restrictions on how they may be used.



**FRESNO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Governmental Activities:** Governmental activities increased FCTA net assets by \$6,098,912. The following table indicates the changes in net assets for governmental activities:

	Governmental Activities	
	June 30, 2011	June 30, 2010
Revenues:		
General revenues:		
Sales tax	\$ 22,678,784	\$ 21,051,385
Interest and investment earnings	3,326,836	3,554,052
Program revenues:		
Charges for services	-	-
Federal reimbursements	-	3,972,680
Operating grants and contributions	2,350	138,550
Total revenues	<u>26,007,970</u>	<u>28,716,667</u>
Expenses:		
Public ways and facilities	<u>19,909,058</u>	<u>17,591,991</u>
Total expenses	<u>19,909,058</u>	<u>17,591,991</u>
Change in net assets	6,098,912	11,124,676
Net assets, July 1, 2010	<u>176,847,495</u>	<u>165,722,819</u>
Net assets, June 30, 2011	<u>\$ 182,946,407</u>	<u>\$ 176,847,495</u>

The key element of the increase in net assets of \$6,098,912 is primarily attributable to the increase sales tax revenues. Governmental activities budget, and subsequently issue, fund financial statements that reflect the modified accrual basis of accounting under accounting principles generally accepted in the United States of America. Under this approach, capital asset purchases and debt principal payments are recorded as expenditures. Further, revenues are accrued if measurable and available within the FCTA's availability period established at 60 days. Conversely, the statement of activities is reported under the accrual basis of accounting, which capitalizes capital asset purchases, reduces liabilities by principal payments, and recognizes revenues collected after the 60-day period.

**FINANCIAL ANALYSIS OF FCTA FUNDS**

As noted earlier, FCTA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The general government functions are contained in the general, special revenue, and capital project funds. The focus of FCTA governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing FCTA financing requirements.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

At June 30, 2011, FCTA's governmental funds reported combined fund balances of \$182,188,874, an increase of \$5,805,434 in comparison with the prior fiscal year's combined fund balance. Except for assigned fund balances of \$7,464,844 in the general fund and \$93,983,167 in the special revenue fund, the remaining combined fund balance is reserved to indicate that it is not available for new spending because it is restricted 1) to pay capital projects of \$78,477,717 and 2) to reflect loans to the special purpose trust fund that are unpaid at year-end of \$2,263,146.

Revenues for governmental funds totaled \$25,703,422 in fiscal year 2010-2011, which represents a decrease of 9.3% from fiscal year 2009-2010. This decrease is primarily due to the reduction of federal reimbursements. Federal reimbursement decreased by approximately \$3.9 million from the prior fiscal year.

Expenditures for governmental funds totaled \$19,897,988 in fiscal year 2010-2011, which represents an increase of 13% from fiscal year 2009-2010. The increase is primarily due to expenses in highway capital improvements decreasing by 15.7% as a result of capital projects being progressed to construction phase during the fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, there was a \$339,450 increase between the original budget and the final budget for the general fund as a result of an increase in expected costs for professional services and office expenses. Actual revenues were less than the final budget by \$563,464 and expenditures were less than the final budget by \$558,469. The net effect of these differences results in an increase in fund balance in the general fund of \$467,908 which is a result of the increase in the actual sales tax revenue.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The FCTA investment in capital assets for its governmental activities as of June 30, 2011, amounted to \$4,940. The total decrease in the FCTA investment in capital assets for the current period was 38% due to \$3,022 annual depreciation of office equipment in fiscal year 2010-2011.

Capital assets for the governmental activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Increase (Decrease)
	2011	2010	Percent of Change
Equipment	\$ 4,940	\$ 7,962	-37.96%

**Long-Term Liabilities**

At June 30, 2011, FCTA had no outstanding bonds. Please refer to Note 6 on page 25 for further information on FCTA long-term liabilities.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET/PROGRAM**

The FCTA continues its commitment to the implementation of the largest transportation public works project in Fresno County history. Today, as Fresno County continues to grow and our population approaches the one million mark, a strong transportation system is critical. Not only do our roads and other systems of transportation contribute to the overall economic growth of the region, they also improve personal mobility and contribute to the quality of life enjoyed by our local residents; which is why Measure C funding is of such great importance.

During the fiscal year, FCTA has accomplished much, including several key, ongoing and completed transportation projects:

- The continuation of Route 41/168/180 Braided Ramps;
- Continued construction on Route 180 East (Temperance to Frankwood Avenue);
- Completed construction on Herndon Avenue (Willow Avenue to Clovis Avenue);
- Completed construction on Willow Avenue (Teague to Shepherd); and
- Completed construction on California Avenue (West Avenue to Fruit Avenue).

FCTA, together with Caltrans, the County of Fresno, and the cities in Fresno County, will continue to meet its promised commitments:

- To build a complete freeway system;
- To leverage State and Federal dollars to deliver a \$1.4 billion program;
- To leave a system that allows for expansion for future needs; and
- To leave a track record of responsible and accountable spending of local sales tax dollars.

The following economic factors were considered in preparing the FCTA fiscal year 2011-2012 budget:

- 4.5% growth in Measure C sales tax revenues for 2010-2011.
- 1.25% interest earnings.
- Estimated expenditures for capital projects in the amount of \$51.8 million, with \$12.8 million to urban projects, \$36 million to rural projects, and \$3 million to school bus replacement projects.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the FCTA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of the Fresno County Transportation Authority, 2220 Tulare Street, Fresno, California 93721.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments (Note 4)	\$ 179,676,001
Interest receivable	632,919
Due from other governments (Note 3)	9,055,576
Capital assets, net (Note 5)	<u>4,940</u>
Total assets	<u>189,369,436</u>
<b>Liabilities</b>	
Accounts payable	56,815
Salaries and benefits payable	102,650
Due to other governments	4,300,155
Compensated absences payable (Note 6)	42,335
Deferred revenue (Note 7)	<u>1,921,074</u>
Total liabilities	<u>6,423,029</u>
<b>Net Assets</b>	
Invested in capital assets	4,940
Restricted for:	
Capital projects	78,477,717
Loans	2,263,146
Unrestricted	<u>102,200,604</u>
Total net assets	<u><u>\$ 182,946,407</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:			
Public ways and facilities	\$ 19,909,058	\$ 2,350	\$ (19,906,708)
Total	\$ 19,909,058	\$ 2,350	(19,906,708)
General revenues:			
Sales tax			22,678,784
Interest and investment earnings			3,326,836
Change in net assets			6,098,912
Net assets, July 1, 2010			176,847,495
Net assets, June 30, 2011			\$ 182,946,407

The accompanying notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General	Special Revenue	Total
<b>Assets</b>			
Cash and investments (Note 4)	\$ 6,771,016	\$ 172,904,985	\$ 179,676,001
Interest receivable	24,334	608,585	632,919
Due from other governments (Note 3)	864,731	8,190,845	9,055,576
<b>Total assets</b>	<b>\$ 7,660,081</b>	<b>\$ 181,704,415</b>	<b>\$ 189,364,496</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 47,668	\$ 9,147	\$ 56,815
Salaries and benefits payable	102,650	-	102,650
Due to other governments	25,992	4,274,163	4,300,155
Deferred revenue (Note 7)	18,927	2,697,075	2,716,002
<b>Total liabilities</b>	<b>195,237</b>	<b>6,980,385</b>	<b>7,175,622</b>
Fund balances (Note 12):			
Nonspendable	-	2,263,146	2,263,146
Restricted	-	78,477,717	78,477,717
Assigned	7,464,844	93,983,167	101,448,011
<b>Total fund balances</b>	<b>7,464,844</b>	<b>174,724,030</b>	<b>182,188,874</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,660,081</b>	<b>\$ 181,704,415</b>	<b>\$ 189,364,496</b>

The accompanying notes to the financial statements are an integral part of this statement.



**FRESNO COUNTY TRANSPORTATION AUTHORITY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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

Total fund balances - total governmental funds	\$ 182,188,874
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,940
Some assets are deferred in the governmental funds because they are not available within the Authority's 60 day availability period. Thus, they are considered unavailable to pay for current period expenditures. However, they are recognized in the government-wide financial statements.	794,928
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(42,335)</u>
Total net assets - governmental activities	<u><u>\$ 182,946,407</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Special Revenue	Capital Projects	Total
<b>Revenues</b>				
Sales tax	\$ 1,280,946	\$ 21,093,290	\$ -	\$ 22,374,236
Interest	129,593	3,197,243	-	3,326,836
Miscellaneous revenue - construction	-	2,350	-	2,350
<b>Total revenues</b>	<b>1,410,539</b>	<b>24,292,883</b>	<b>-</b>	<b>25,703,422</b>
<b>Expenditures</b>				
Current:				
Public ways and facilities:				
Salaries and employee benefits (Note 14)	400,208	-	-	400,208
Professional services and supplies	542,423	-	-	542,423
Highway capital improvements	-	18,955,357	-	18,955,357
<b>Total expenditures</b>	<b>942,631</b>	<b>18,955,357</b>	<b>-</b>	<b>19,897,988</b>
<b>Excess of revenues over expenditures</b>	<b>467,908</b>	<b>5,337,526</b>	<b>-</b>	<b>5,805,434</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	165,289,232	-	165,289,232
Operating transfers out	-	-	(165,289,232)	(165,289,232)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>165,289,232</b>	<b>(165,289,232)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>467,908</b>	<b>170,626,758</b>	<b>(165,289,232)</b>	<b>5,805,434</b>
Fund balances, July 1, 2010	6,996,936	4,097,272	165,289,232	176,383,440
<b>Fund balances, June 30, 2011</b>	<b>\$ 7,464,844</b>	<b>\$ 174,724,030</b>	<b>\$ -</b>	<b>\$ 182,188,874</b>

The accompanying notes to the financial statements are an integral part of this statement.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Net change in fund balances - total governmental funds	\$ 5,805,434
Governmental funds report capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(3,022)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.	304,548
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(8,048)</u>
Changes in net assets - governmental activities	<u><u>\$ 6,098,912</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF FIDUCIARY NET ASSETS  
SPECIAL PURPOSE TRUST FUND  
JUNE 30, 2011**

<b>Assets</b>	
Cash and investments	\$ 2,945,356
Due from other governments	5,698,855
Interest receivable	<u>2,595</u>
Total assets	<u>\$ 8,646,806</u>
<b>Liabilities</b>	
Due to other governmental units	\$ 9,796,903
Deferred sales tax	<u>1,097,758</u>
Total liabilities	<u>10,894,661</u>
<b>Net Assets</b>	
Held in trust	<u>(2,247,855)</u>
Total net assets	<u>\$ (2,247,855)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
SPECIAL PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Additions</b>	
Sales tax	\$ 29,839,289
Interest	<u>25,716</u>
Total additions	<u>29,865,005</u>
<b>Deductions</b>	
Disbursements to local agencies	<u>29,760,640</u>
Total deductions	<u>29,760,640</u>
Net increase	104,365
Net assets held in trust - beginning	<u>(2,352,220)</u>
Net assets held in trust - ending	<u><u>\$ (2,247,855)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

A. Reporting Entity

The Fresno County Transportation Authority (Authority) was created by the approval of Measure C by the voters of Fresno County (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 which 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 of 2006, Fresno County voters approved a ballot Measure extending Measure C for an additional 20 years. This extension continues the authorization and collection a ½% sales and use tax (sales tax) in Fresno County for 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. 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 2 years to adjust the projection of sales tax receipts.

The basic financial statements of the Authority include all of its financial activities. The Authority is the sole independent agency responsible for receiving and allocating funds necessary to complete the programs and is governed by a nine-member board of directors composed of representatives who are elected officials from the County and local cities and two members for the public at large.

B. Measurement Focus, Basis of Accounting, and Financial Statement Approach

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Authority does not have any *business-type activities*.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the governmental fund financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

B. Measurement Focus, Basis of Accounting, and Financial Statement Approach (Continued)

Fund Financial Statements

The fund financial statements provide information about the Authority's individual funds, including governmental and fiduciary funds. Separate statements for each fund category are presented. The balance sheet and the statement of revenues, expenditures, and changes in fund balances focus on the presentation of the major governmental funds: the general, special revenue, and capital projects funds. These two statements are used to report information regarding the Authority's own operations and programs. The statement of fiduciary net assets and the statement of changes in fiduciary net assets provide information regarding the sales tax proceeds and related disbursements, which are exclusively restricted for local agencies for the support of regional public transit, local transportation, and regional transportation within the County. Disbursements of Measure C funds during the fiscal year ended June 30, 2011, were made to the 15 cities within the County and the County of Fresno, along with the Fresno Area Express (FAX), Clovis Transit, Fresno County Rural Transit Agency (FCRTA), and the Council of Fresno County Governments (Fresno COG).

The Authority reports the following major governmental funds:

- The *general fund* is the general operating fund of the Authority. It is used to account for all the financial resources except those required to be accounted for in another fund. Activities of the general fund include administrative services and planning related to Measure C projects.
- The *special revenue* fund is used by the Authority to account for the accumulation of resources required to be allocated to local cities and the County for local transportation improvements, including streets and roads, as directed by the original Measure C Program. The original Measure C Program allowed for 25% of net sales tax revenues to be disbursed to the local agencies upon compliance with certain provisions and to be used for local street maintenance and improvements. These requirements expired with the original Measure C Program on June 30, 2007. Beginning with July 1, 2007, the Measure C Program extension allowed for resources classified under this special revenue fund to also be used to fund the School Bus Replacement and Transit Oriented Infrastructure for In-Fill Programs. As of July 1, 2010, the capital projects fund has been reclassified and consolidated to the special revenue fund. As a result of the consolidation, the special revenue fund is also being used to account for urban and rural capital projects that were formerly accounted for in the capital projects fund.
- The *capital projects fund* has been used by the Authority to accumulate resources to be used to pay the costs of capital projects designated by the Measure C. Governmental Accounting Standards Board (GASB) Statement No. 54 definition states that capital projects funds exclude those types of capital related outflows for assets that will be held for other governments. Since the Authority does not own the capital assets produced by its capital projects, the capital projects fund has been reclassified and consolidated to the special revenue fund as of July 1, 2010.



**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

B. Measurement Focus, Basis of Accounting, and Financial Statement Approach (Continued)

Fund Financial Statements (Continued)

The Authority reports the following fiduciary fund:

- The *special purpose trust fund* is used to account for the portion of Measure C sales tax proceeds (and related disbursements) exclusively restricted for local agencies for the support of regional public transit, local transportation, and regional transportation within the County. Disbursements of Measure C funds during the fiscal year ended June 30, 2011, were made to the 15 cities within the County and the County of Fresno, along with the FAX, Clovis Transit, FCRTA, and the Fresno COG. This fund is omitted from the government-wide financial statements as its purpose is not for the benefit of the Authority.

Measurement Focus

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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and claims and judgments are recorded only when payment is due and payable.

Amounts reported as *program revenues* include 1) charges for services and 2) operating grants and contributions which, for the fiscal year ended June 30, 2011, are primarily made up of refunds from final accounting on Caltrans contracts and the sale of excess land in the amount of \$2,350. General revenues include all taxes and investment earnings.

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

C. Assets, Liabilities, and Net Assets or Fund Balance

Cash and Investments

Investments for the Authority are reported at cost which approximates fair value.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

C. Assets, Liabilities, and Net Assets or Fund Balance (Continued)

Capital Assets

The Authority's assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at fair value when received. Depreciation is recorded on a straight-line basis over the useful lives of the equipment of 5 years. The Authority capitalizes all assets with a historical cost of \$5,000 or above.

Accounts Payable

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

Compensated Absences

Vested vacation and sick leave benefits are accrued when earned in the governmental activities financial statements and when due and payable in the governmental funds financial statements.

Retainage Payable

The Authority withholds certain amounts due on construction contracts pending completion and inspection of various projects. The retainage payable reflects 5% – 10% of all invoiced expenditures for contract work performed by non-county engineering and construction firms that have not posted securities in the form of certificates of deposit or interest-bearing demand deposit accounts, or irrevocable standby letters of credit as of the fiscal year-end. As of June 30, 2011, all contractors with the Authority had posted collateral in accordance with these terms and conditions. Therefore, there is no retainage payable as of June 30, 2011.

Net Assets

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets, restricted, and unrestricted.

Invested in Capital Assets – This category groups all capital assets into one component of net assets. Accumulated depreciation reduces the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditor, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the Authority, not restricted for any project or other purpose.

Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Authority is bound to honor constraints on how specific amounts can be spent.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

C. Assets, Liabilities, and Net Assets or Fund Balance (Continued)

Fund Balance (Continued)

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – 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.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (the Board) and that remain binding unless removed in the same manner. Committed fund balance does not lapse at year-end. The formal action must occur prior to the end of the reporting period. However, the amount which will be subject to the constraint may be determined in the subsequent period. The formal action required to commit fund balance shall be Board resolution.
- *Assigned fund balance* – amounts that are constrained by the Authority's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. The Board delegated the authority to assign fund balance for a specific purpose to the Chief Executive Officer.
- *Unassigned fund balance* – the residual classification for the Authority's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, followed by the unrestricted committed, assigned and unassigned resources as they are needed.

Minimum Fund Balance Policy:

The Authority has not adopted and does not maintain a minimum fund balance policy.

Professional Services

The Authority has agreements with the County, whereby the County provides legal, accounting, and other professional and technical services.

Use of Management Estimates

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

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

C. Assets, Liabilities, and Net Assets or Fund Balance (Continued)

Recently Issued Accounting Pronouncements

*Governmental Accounting Standards Board Statement No. 51*

In 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The standard requires intangibles such as easements, rights, patents, trademarks, computer software, and other internally generated intangible assets as capital assets. Accounting and financial reporting is similar to capital assets currently in use by the Authority. As of June 30, 2011, no intangible assets were in use by the Authority.

*Governmental Accounting Standards Board Statement No. 53*

In 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governments that enter into financial arrangements to manage various forms of risk to report the fair value of those instruments and calculate the effectiveness of those instruments. If they are effectively managing related risk, fair values and changes in fair values of the instruments are reported in the statement of net assets. If they are ineffective, changes in fair values of the instruments are reported in the statement of activities as investment income. As of June 30, 2011, the Authority held no contracts outside the normal course of business that managed risk.

*Governmental Accounting Standards Board Statement No. 54*

In March of 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The Authority has implemented GASB Statement No. 54 on the Authority's financial statements for the fiscal year 2010-2011.

*Governmental Accounting Standards Board Statement No. 57*

In December of 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. GASB Statement No. 57 is not expected to have a material effect on the Authority's financial statements.

*Governmental Accounting Standards Board Statement No. 59*

In June of 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. GASB Statement No. 59 is not expected to have a material effect on the Authority's financial statements.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

D. Budgets and Budgetary Data

The Authority adopts a legal annual operating budget for its general fund and special revenue fund. All budget transfers and expenditures are approved by the Board of Directors or by the Authority Administrator prior to disbursement. The legal level of budgetary control is at the account balance level. The final budget revenue and expenditure amounts represent the original budget modified by any amendments and adjustments that have occurred during the fiscal year. Unencumbered appropriations lapse at year-end.

A budgetary comparison schedule for the general fund and special revenue fund is presented on pages 27 and 28, respectively. Their purpose is to demonstrate compliance with the approved budget for fiscal year 2010-2011. Actual expenditures appearing on the schedules are presented using the accrual method of accounting.

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

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

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

**NOTE 3 – DUE FROM OTHER GOVERNMENTS**

Due from other governments mainly consists of sales tax receipts in the months subsequent to the Authority's fiscal year-end relating to the prior year's sales activity. The Authority has contracted with the California State Board of Equalization for collection and distribution of the ½% sales tax. The Board of Equalization receives an administrative fee for providing this service. The Authority records sales tax revenues net of such fees. Also included in due from other governments is the PTIS (Public Transportation Infrastructure Study) loan principal and interest receivable as of the end of fiscal year, which is due from the special purpose trust fund. On October 9, 2009, the Authority received a letter enacting an agreement entered into on October 15, 2008, between the Authority and Fresno COG. The terms of the agreement directed the Authority to issue a loan from the Rail Consolidation Program (special revenue fund) in the amount of \$2,554,401 to the Public Transportation Infrastructure Study (PTIS)/Transit Consolidation Program (special purpose trust fund) which is administered by Fresno COG. The loan was made on November 19, 2009, and since then, quarterly repayments of the loan principal and interest are made by the special purpose trust fund to the special revenue fund according to the amortization schedule. Another component of due from other governments is due from Fresno COG for the Regional Transportation Mitigation Fee (RTMF). In 2010, a Cooperative Agreement was entered between the Authority and the Fresno County Regional Transportation Mitigation Fee Agency addressing the respective roles and responsibilities of both parties with respect to implementation and administration of the RTMF Program as part of the Measure C Extension component of the Regional Transportation Program. Based on the provisions of the agreement, Fresno COG has been administering the collection and deposit of all fees imposed under the RTMF Program. The collected fees will be transferred to the Authority at the direction of the Executive Officer when the Authority incurs expenditures related to RTMF. As of June 30, 2011, due from Fresno COG for RTMF was \$1,891,074 and was deferred as an unearned revenue.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 – CASH, INVESTMENTS, AND DEPOSITS**

The Authority, under contract, maintains specific cash deposits and investments with the Fresno County Auditor-Controller/Treasurer-Tax Collector and participates in the common investment pool of the County. The County is restricted by State Code in the types of investments it can make. Further, the Authority has a written investment policy, approved by the Fresno County Transportation Authority Board of Directors, which is more restrictive than the State Code as to terms of maturity and type of investment. The Authority has limited its investments to the State Treasurer's Local Agency Investment Fund and the Fresno County Treasurer's Investment Pool.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority manages its exposure to interest rate risk by placing all investments in the County of Fresno Treasurer's Investment Pool.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's credit risk at June 30, 2011, is presented below.

	Credit Quality Ratings	Carrying Amount
County of Fresno Treasurer's Investment Pool	Not Rated	\$ 179,676,001
Total cash and investments		\$ 179,676,001

The Authority maintains, in an escrow account, amounts retained on certain construction projects. The funds belong to contractors but are held in both the name of the contractors and the Authority until projects are completed. There are no amounts held in escrow as of June 30, 2011.

**NOTE 5 – CAPITAL ASSETS**

A summary of changes in capital assets for the fiscal year ended June 30, 2011, is as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Office equipment	\$ 45,432	\$ -	\$ -	\$ 45,432
Less accumulated depreciation for:				
Office equipment	(37,470)	(3,022)	-	(40,492)
Governmental activities capital assets, net	\$ 7,962	\$ (3,022)	\$ -	\$ 4,940

Depreciation expense of \$3,022 was recorded in the statement of activities under the public ways and facilities function for the fiscal year ended June 30, 2011.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 – LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the fiscal year ended June 30, 2011, is as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Compensated absences	\$ 34,287	\$ 24,589	\$ 16,541	\$ 42,335	\$ 42,335
Long-term liabilities	<u>\$ 34,287</u>	<u>\$ 24,589</u>	<u>\$ 16,541</u>	<u>\$ 42,335</u>	<u>\$ 42,335</u>

Compensated absences will be paid by the general fund.

**NOTE 7 – DEFERRED REVENUE**

Under both the accrual and modified accrual basis of accounting, revenues are recognized only when earned. Thus the government-wide statement of net assets and the governmental funds defer revenue recognition for resources that have been received at year-end, but not yet earned. Assets recognized before the earning process is complete are offset by a corresponding liability as unearned revenues. Under the modified accrual basis of accounting, governmental funds defer revenue recognition for revenues not considered available to liquidate liabilities of the current period. As of June 30, 2011, the statement of net assets reports \$1,921,074 of deferred unearned revenue including an advance receipt of \$30,000 for the Sanger Median Project and a receivable from Fresno COG of \$1,891,074 for RTMF Program. The governmental funds report \$2,716,002 of deferred revenue that is unearned or earned but considered unavailable.

**NOTE 8 – OPERATING TRANSFERS**

During the fiscal year ended June 30, 2011, the Authority made the following operating transfers:

	<u>Transfer In</u>	<u>Transfer Out</u>
Special Revenue Fund	\$ 165,289,232	\$ -
Capital Projects Fund	-	165,289,232
	<u>\$ 165,289,232</u>	<u>\$ 165,289,232</u>

The Authority has made an operating transfer between the capital projects fund and the special revenue fund in the amount of \$165,289,232. This transfer is a result of the consolidation of the capital projects fund into the special revenue fund as of July 1, 2010. The transfer amount reflects the fund balance in the capital projects fund as of June 30, 2010.

**NOTE 9 – RIGHT-OF-WAY ACQUISITION AGREEMENTS WITH CALTRANS**

The Authority has committed to reimburse Caltrans for advance right-of-way acquisition work for certain projects. For the fiscal year ended June 30, 2011, \$598,766 had been expended for advance right-of-way acquisitions.

Additionally, rental income derived from acquired properties held in the name of the State, less amounts required for transfer, will be collected and paid to the Authority. For the fiscal year ended June 30, 2011, no rental income was received by the Authority for rental of buildings and land.

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 – OPERATING LEASE**

The Authority conducts its operations from facilities that are leased under an operating lease with the County, which commenced on December 23, 1987, and has been extended indefinitely. The lease agreement allows for an extension, with the permission of the County, following the term of the lease. Rent expenditures for the fiscal year ended June 30, 2011, were \$13,735. There are no contractual future minimum payments due, and the current rate is not expected to increase next fiscal year.

**NOTE 11 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority manages and finances these risks by purchasing commercial insurance for which a \$500 deductible applies. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the Authority's commercial insurance coverage in any of the past three years.

**NOTE 12 – FUND BALANCE**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Authority is bound to observe constraints imposed upon the use of the resources. As of June 30, 2011, fund balances for governmental funds are made up of the followings:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories, prepaid amounts, and long-term notes receivable. At June 30, 2011, nonspendable fund balance of governmental funds was \$2,263,146 which represents the long-term PTIS loan receivable balance at the fiscal end.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. At June 30, 2011, governmental funds report \$78,477,717 of fund balance restricted for non-pass-through transportation projects set forth in the Measure C plan.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the Authority's highest level of decision-making authority, the Authority's Board. Commitments may be changed or lifted only by the Authority taking the same formal action that imposed the constraint originally. There is no committed fund balance as of June 30, 2011.
- *Assigned Fund Balance* – comprises amounts intended to be used by the Authority for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the Authority's Board or (b) a body (for example, a budget or finance committee) or official to which the Authority's Board has delegated the authority to assign amounts to be used for specific purposes. As of June 30, 2011, governmental funds report assigned fund balances of \$101,448,011. Of this amount, \$93,983,167 was assigned for capital projects and \$7,464,844 was assigned for general government.

The Authority has not adopted and does not maintain a fund balance policy regarding order of spending and minimum fund balance. The Authority follows the default order of spending which is to use restricted fund balance before unrestricted fund balance, and committed and assigned balance before unassigned fund balance.



**FRESNO COUNTY TRANSPORTATION AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 13 – COMMITMENTS**

The Authority has entered into various contracts with private consulting companies and cooperative agreements with governmental entities amounting to a total commitment of approximately \$783,103,654. The Authority has made cumulative expenditures on these commitments through June 30, 2011, of \$689,120,487; therefore, the Authority's outstanding commitments at June 30, 2011, total \$93,983,167. These commitments are contingent on the receipt of future revenues for funding; therefore, the special revenue fund balance is assigned only to the extent of currently available resources.

**NOTE 14 – BENEFIT PLAN**

The Authority contracts with the Fresno COG for payroll administration for Authority employees. The Authority employees receive the Fresno COG benefit packages for insurance and retirement. The Authority reimburses the Fresno COG for all salaries and benefits expended on payroll (\$400,208 for the fiscal year ended June 30, 2011).

Fresno COG has agreements with International City Manager's Association (ICMA) Retirement Corporation to administer their defined contribution retirement and deferred compensation plans. The ICMA retirement and deferred compensation plans qualify to provide contracted Authority employees and their beneficiaries retirement income and other deferred benefits under Internal Revenue Service Code sections 401(a) and 457, respectively. Under the 401(a) retirement plan (Plan), employers contribute 15% of the participating employee's gross salary to the Plan. Vesting occurs 20% annually over a five-year period. The Plan is portable for rollover to other qualified plans if the new plan meets the definition in Section 401(a). All Authority employees were covered by the Plan. Actual Authority contributions made during the period (\$27,671 for the year ended June 30, 2011) represents approximately 7% of total salaries.

Under the deferred compensation plan, participating employees are required to contribute a minimum of 7.5% of their gross salary to the 457 plans, as Fresno COG is a non-FICA agency. The maximum contribution to the 457 plans is the lesser of \$8,000 or 25% of an employee's normal annual compensation. The plan trust is maintained for the exclusive benefit of eligible employees and their beneficiaries.

In addition, Fresno COG, when used by an employee, pays vacation and sick leave benefits. Fresno COG bills the Authority for benefits when used. The Authority accrues benefits when earned. Currently, there are three employees eligible to receive benefits.

**NOTE 15 – SUBSEQUENT EVENT**

The Authority has reviewed the events occurred and the Board of Directors actions made during the period of July 1, 2011, through the issuance date of the financial statements and noted that there is no reportable subsequent event that is considered to have a material effect on the Authority's financial statements for the fiscal year ended June 30, 2011.

**REQUIRED SUPPLEMENTARY INFORMATION**

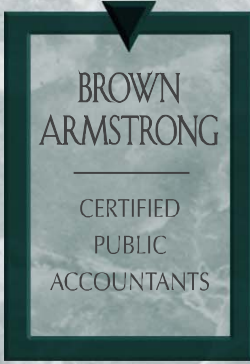
**FRESNO COUNTY TRANSPORTATION AUTHORITY  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Sales tax	\$ 486,855	\$ 486,855	\$ 1,280,946	\$ 794,091
Interest	360,220	360,220	129,593	(230,627)
Total revenues	<u>847,075</u>	<u>847,075</u>	<u>1,410,539</u>	<u>563,464</u>
<b>EXPENDITURES</b>				
Current:				
Salaries and employee benefits	405,370	408,220	400,208	8,012
Professional services and supplies	741,280	1,083,730	542,423	541,307
Contingencies	15,000	9,150	-	9,150
Total expenditures	<u>1,161,650</u>	<u>1,501,100</u>	<u>942,631</u>	<u>558,469</u>
Net change in fund balance	<u>\$ (314,575)</u>	<u>\$ (654,025)</u>	467,908	<u>\$ 1,121,933</u>
<b>FUND BALANCE</b>				
Beginning, July 1, 2010			<u>6,996,936</u>	
Ending, June 30, 2011			<u>\$ 7,464,844</u>	

**FRESNO COUNTY TRANSPORTATION AUTHORITY  
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Sales tax	\$ 19,961,023	\$ 20,526,803	\$ 21,093,290	\$ 566,487
Interest	1,850,000	1,850,000	3,197,243	1,347,243
Miscellaneous	-	-	2,350	2,350
Total revenues	<u>21,811,023</u>	<u>22,376,803</u>	<u>24,292,883</u>	<u>1,916,080</u>
<b>EXPENDITURES</b>				
Current:				
Highway capital improvements	<u>21,811,023</u>	<u>22,520,930</u>	<u>18,955,357</u>	<u>3,565,573</u>
Total expenditures	<u>21,811,023</u>	<u>22,520,930</u>	<u>18,955,357</u>	<u>3,565,573</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(144,127)</u>	<u>5,337,526</u>	<u>5,481,653</u>
<b>Other Financing Sources</b>				
Transfers In	<u>-</u>	<u>-</u>	<u>165,289,232</u>	<u>165,289,232</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (144,127)</u>	<u>170,626,758</u>	<u>\$ 170,770,885</u>
<b>FUND BALANCE</b>				
Beginning, July 1, 2010			<u>4,097,272</u>	
Ending, June 30, 2011			<u>\$ 174,724,030</u>	

**OTHER AUDITOR'S REPORT**



# BROWN ARMSTRONG

*Certified Public Accountants*

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

Board of Directors  
Fresno County Transportation Authority  
Fresno, California

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We have audited the financial statements of the governmental activities and each major fund of the Fresno County Transportation Authority (Authority) as of and for the year ended June 30, 2011, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated December 12, 2011. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting 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 Authority’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Bakersfield, California  
December 12, 2011