

FRESNO COUNTY TRANSPORTATION AUTHORITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fresno County Transportation Authority as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fresno County Transportation Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fresno County Transportation Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fresno County Transportation Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Budgetary Comparison Information on pages 3 through 9 and on pages 32 through 34, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of the Fresno County Transportation 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fresno County Transportation Authority's internal control over financial reporting and compliance.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
December 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FRESNO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

This section of the Fresno County Transportation Authority (Authority) annual financial report presents a discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2016. Please read the information contained in this discussion and analysis in conjunction with the Authority's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources (referred to as net position) at the end of the 2015-2016 fiscal year by \$225,250,408. Of this amount, \$71,613,352 is considered unrestricted net position, \$153,636,352 is restricted net position and limited for specific purposes, and \$704 is invested in capital assets.
- The Authority's total net position increased by \$26,438,608. This increase is primarily attributable to the decrease in the capital project expenditures. Revenue received and allocated to capital projects as directed by the Measure C Extension Program during the year was more than capital project expenses during the fiscal year ended June 30, 2016, thereby resulting in increased net position.
- As of June 30, 2016, the Authority's governmental funds reported combined fund balances of \$225,294,686, which is an increase of \$26,443,915 from last year's fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of 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 the Authority'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 position* presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between assets, plus deferred outflows of resources less liabilities, less deferred inflows of resources reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position 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 the Authority 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 their costs through user fees and charges (*business-type activities*). The governmental activity of the Authority is public ways and facilities. During the fiscal year reported, the Authority did not have any business-type activities.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The government-wide financial statements can be found on pages 10-11 of this report.

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. The Authority, 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. The Authority's funds can be divided into two categories: Governmental funds (General Fund, Measure C Special Revenue Fund and RTMF 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 fund 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 Authority'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. The Authority's General Fund, Measure C Special Revenue Fund, and RTMF Special Revenue Fund budgetary comparison schedules are presented in RSI. The Authority adopts an annual appropriated budget for its General Fund, Measure C Special Revenue Fund, and RTMF Special Revenue Fund. Budgetary comparison schedules are thus provided for the General Fund, Measure C Special Revenue Fund, and RTMF Special Revenue Fund to demonstrate compliance with this budget.

The Authority reports three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance.

The governmental funds financial statements can be found on pages 12-15 of this report.

Fiduciary Funds are used to account for resources held by the Authority 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 the Authority's own programs. The type of fiduciary fund used by the Authority 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 position (required for all fiduciary funds) and the statement of changes in fiduciary net position (required for all fiduciary funds except agency funds).

The fiduciary fund financial statements can be found on pages 16-17 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 18-31 of this report.

Required Supplementary Information is presented for the budgetary comparison schedules of the General Fund, Measure C Special Revenue Fund, and RTMF Special Revenue Fund, which are presented immediately following the notes to the basic financial statements.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This fiscal year is the thirteenth accounting period in which the Authority has applied Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*. The Authority has provided the prior period for purposes of providing the comparative data for the Management's Discussion and Analysis.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities and deferred inflows of resources by \$225,250,408 at the close of fiscal year 2015-2016.

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities	
	June 30, 2016	June 30, 2015
Assets:		
Current and other assets	\$ 229,678,421	\$ 205,479,011
Capital assets	704	1,253
Total assets	<u>229,679,125</u>	<u>205,480,264</u>
Deferred outflows of resources	-	-
Liabilities:		
Current and other liabilities	3,852,014	5,644,152
Long-term liabilities	44,982	40,224
Total liabilities	<u>3,896,996</u>	<u>5,684,376</u>
Deferred inflows of resources	<u>531,721</u>	<u>984,088</u>
Net position:		
Net investment in capital assets	704	1,253
Restricted	153,636,352	61,457,623
Unrestricted	71,613,352	137,352,924
Total net position	<u>\$ 225,250,408</u>	<u>\$ 198,811,800</u>

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

One portion of the Authority net position, in the amount of \$704, represents its investment in capital assets (equipment). The Authority has no debt used to acquire those assets outstanding. The Authority uses these capital assets in day-to-day operations. Consequently, these assets are not available for future spending.

Another significant portion of the Authority's net position is unrestricted surplus in the amount of \$71,613,352, which primarily represents the unspent and assigned cash balances in the General and Special Revenue Funds.

The remaining balance of the Authority's net position of \$153,636,352 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, 2016**

Governmental activities: Governmental activities increased the Authority's net position by \$26,438,608. The following table indicates the changes in net position for governmental activities:

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Governmental Activities	
	June 30, 2016	June 30, 2015
Revenues:		
General revenues:		
Sales tax	\$ 30,491,187	\$ 28,662,970
Interest and investment earnings	5,943,178	2,742,739
Mitigation fees	2,991,117	2,699,442
Program revenues:		
Operating grants and contributions	99,669	874,749
Total revenues	39,525,151	34,979,900
Expenses:		
Public ways and facilities	13,086,543	35,389,054
Total expenses	13,086,543	35,389,054
Change in net position	26,438,608	(409,154)
Net position - beginning	198,811,800	199,220,954
Net position - ending	\$ 225,250,408	\$ 198,811,800

The key element of the increase of \$26,438,608 is primarily attributable to the decreased capital project expenditures. 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 Authority'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 THE AUTHORITY FUNDS

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

**FRESNO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Governmental funds: The general government functions are contained in the General and Special Revenue Funds. The focus of the Authority governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Authority's financing requirements.

At June 30, 2016, the Authority's governmental funds reported combined fund balances of \$225,294,686, an increase of \$26,443,915 in comparison with the prior fiscal year's combined fund balance. Except for assigned fund balances of \$8,917,188 in the General Fund and \$62,741,146 in the Measure C Special Revenue Fund, and the unassigned negative fund balance of \$52,578,023 in the RTMF 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 \$204,872,388 and 2) to reflect loans to the Special Purpose Trust Fund that are unpaid at fiscal year-end of \$1,341,987.

Revenues for the governmental funds totaled \$39,525,151 in fiscal year 2015-2016, which represents an increase of 13% from fiscal year 2014-2015. This increase is primarily contributed by the increased sales tax revenue. Sales tax revenue increased by approximately \$1.8 million from the prior fiscal year.

Expenditures for governmental funds totaled \$13,081,236 in fiscal year 2015-2016, which represents a decrease of 63% from fiscal year 2014-2015. This decrease is primarily due to expenses in highway capital improvements decreasing by 64.8% as a result of right-of-way acquisitions and construction phases of certain major capital projects having been completed during the prior fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year there were adjustments of \$79,670 between the original budget and the final budget for the General Fund. Actual revenues were less than the final budget by \$65,707 and expenditures were less than the final budget by \$685,820. The net effect of these differences results in an increase in fund balance in the General Fund of \$556,268 which is a result of the decrease in the actual services and supplies expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's investment in capital assets, for its governmental activities as of June 30, 2016, amounted to \$704. The total decrease in the Authority's investment in capital assets for the current period was 43.8% due to \$549 net deductions of office equipment in fiscal year 2015-2016.

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

	Governmental Activities		Increase / (Decrease)
	2016	2015	Percent of Change
Equipment	\$ 704	\$ 1,253	-43.81%

**FRESNO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Long-Term Liabilities

At June 30, 2016, the Authority had no outstanding bonds. Please refer to Note 6 on page 27 for further information on the Authority's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET/PROGRAM

The Authority 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 the Authority has accomplished much, including several key, ongoing and completed transportation projects:

- The completion of Route 180 West Frontage Road;
- The completion of Willow Avenue (Barstow to Escalon);
- The continuation of Veterans Boulevard;
- The continuation of Shaw Avenue (DeWolf to McCall);
- Completed Herndon Avenue (Clovis to Fowler); and
- Completed Temperance Avenue (Enterprise Canal to Nees).

The Authority together with California Department of Transportation (Caltrans), 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 \$1.2 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 Authority's fiscal year 2016-2017 budget:

- 3.5% growth in Measure C sales tax revenues for 2016-2017.
- 0.90% interest earnings.
- Estimated expenditures for capital projects in the amount of \$67.3 million, with \$24.5 million to urban projects, \$38.5 million to rural projects, \$2.7 million to school bus replacement projects, and \$1.6 million to transit oriented in-fill projects.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority'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 POSITION
JUNE 30, 2016**

	Governmental Activities
Assets	
Cash and investments (Note 4)	\$ 220,928,051
Interest receivable	725,800
Due from other governments (Note 3)	8,024,570
Capital assets, net (Note 5)	704
Total assets	229,679,125
 Deferred outflows of resources	
	-
 Liabilities	
Accounts payable	131,394
Salaries and benefits payable	62,784
Due to other governments	3,657,836
Compensated absences payable (Note 6)	44,982
Total liabilities	3,896,996
 Deferred inflows of resources (Note 8)	
	531,721
 Net position	
Net investment in capital assets	704
Restricted for:	
Capital projects	152,294,365
Loans	1,341,987
Unrestricted	71,613,352
Total net position	\$ 225,250,408

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, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities:			
Public ways and facilities	\$ 13,086,543	\$ 99,669	\$ (12,986,874)
Total	<u>\$ 13,086,543</u>	<u>\$ 99,669</u>	<u>(12,986,874)</u>
General revenues:			
Sales tax			30,491,187
Interest and investment earnings			5,943,178
Mitigation fees			<u>2,991,117</u>
Change in net position			26,438,608
Net position - July 1, 2015			<u>198,811,800</u>
Net position - June 30, 2016			<u>\$ 225,250,408</u>

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, 2016**

	General	Measure C Special Revenue	RTMF Special Revenue	Total
Assets				
Cash and investments (Note 4)	\$ 8,257,808	\$ 210,109,714	\$ 2,560,529	\$ 220,928,051
Interest receivable	27,471	689,806	8,523	725,800
Due from other funds (Note 7)	-	55,601,466	-	55,601,466
Due from other governments (Note 3)	851,474	6,331,813	841,283	8,024,570
Total assets	9,136,753	272,732,799	3,410,335	285,279,887
Deferred outflows of resources				
	-	-		-
Total assets & deferred outflows of resources	\$ 9,136,753	\$ 272,732,799	\$ 3,410,335	\$ 285,279,887
Liabilities				
Accounts payable	\$ 125,158	\$ 6,236	\$ -	\$ 131,394
Salaries and benefits payable	62,784	-	-	62,784
Due to other funds (Note 7)	-	-	55,601,466	55,601,466
Due to other governments	18,963	3,251,981	386,892	3,657,836
Total liabilities	206,905	3,258,217	55,988,358	59,453,480
Deferred inflows of resources (Note 8)	12,660	519,061		531,721
Fund balances (Note 13)				
Nonspendable	-	1,341,987	-	1,341,987
Restricted	-	204,872,388	-	204,872,388
Assigned	8,917,188	62,741,146	-	71,658,334
Unassigned	-	-	(52,578,023)	(52,578,023)
Total fund balances	8,917,188	268,955,521	(52,578,023)	225,294,686
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,136,753	\$ 272,732,799	\$ 3,410,335	\$ 285,279,887

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 POSITION
JUNE 30, 2016**

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

Total fund balances - total governmental funds	\$ 225,294,686
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	704
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(44,982)</u>
Total net position of governmental activities	<u>\$ 225,250,408</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, 2016**

	General	Measure C Special Revenue	RTMF Special Revenue	Total
Revenues				
Sales tax	\$ 1,438,485	\$ 29,052,702	\$ -	\$ 30,491,187
Interest	209,998	5,634,003	99,177	5,943,178
Mitigation fees	-	-	2,991,117	2,991,117
Miscellaneous revenue-construction	-	99,669	-	99,669
Total revenues	<u>1,648,483</u>	<u>34,786,374</u>	<u>3,090,294</u>	<u>39,525,151</u>
Expenditures				
Current:				
Public ways and facilities:				
Salaries and employee benefits (Note 15)	338,125	-	-	338,125
Professional services and supplies	769,915	-	-	769,915
Highway capital improvements	-	7,438,123	4,535,073	11,973,196
Total expenditures	<u>1,108,040</u>	<u>7,438,123</u>	<u>4,535,073</u>	<u>13,081,236</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>540,443</u>	<u>27,348,251</u>	<u>(1,444,779)</u>	<u>26,443,915</u>
Other Financing Sources (Uses)				
Operating transfers in	15,825	-	-	15,825
Operating transfers out	-	-	(15,825)	(15,825)
Total other financing sources (uses)	<u>15,825</u>	<u>-</u>	<u>(15,825)</u>	<u>-</u>
Net change in fund balances	556,268	27,348,251	(1,460,604)	26,443,915
Fund balances, July 1, 2015	<u>8,360,920</u>	<u>241,607,270</u>	<u>(51,117,419)</u>	<u>198,850,771</u>
Fund balances, June 30, 2016	<u>\$ 8,917,188</u>	<u>\$ 268,955,521</u>	<u>\$ (52,578,023)</u>	<u>\$ 225,294,686</u>

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 - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Net change in fund balances - total governmental funds	\$ 26,443,915
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 expense exceeded capital outlays in the current year.	(549)
Compensated absence 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>(4,758)</u>
Change in net position of governmental activities	<u><u>\$ 26,438,608</u></u>

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

**FRESNO COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
SPECIAL PURPOSE TRUST FUND
JUNE 30, 2016**

Assets	
Cash and investments	\$ 4,313,331
Due from other governments	7,052,348
Interest receivable	<u>4,597</u>
Total assets	<u>11,370,276</u>
Deferred outflows of resources	
	<u>-</u>
Liabilities	
Due to other governmental units	<u>12,637,466</u>
Total liabilities	<u>12,637,466</u>
Deferred inflows of resources	
	<u>-</u>
Net position	
Held in trust	<u>(1,267,190)</u>
Total net position	<u><u>\$ (1,267,190)</u></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 POSITION
SPECIAL PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Additions	
Sales tax	\$ 40,474,246
Interest	<u>78,545</u>
Total additions	<u>40,552,791</u>
Deductions	
Disbursements to local agencies	<u>40,319,966</u>
Total deductions	<u>40,319,966</u>
Net increase	232,825
Net position held in trust - beginning	<u>(1,500,015)</u>
Net position held in trust - ending	<u>\$ (1,267,190)</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, 2016

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 County voters approved a ballot Measure of extending Measure C for an additional 20 years. This extension continues the authorization and collection of a ½% sales and use tax in the 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 composed of representatives who are elected officials from the County and local cities and two members from 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 position 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 inter-fund activity has been removed from these statements. *Government 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 is 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*.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 statement of revenues, expenditures, and changes in fund balances focus on the presentation of the major governmental funds; the General and Special Revenue Funds. These two statements are used to report information regarding the Authority's own operations and programs. The statement of fiduciary net position and the statement of changes in fiduciary net position 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 fiscal year ended June 30, 2016 were made to the 15 cities within the County and the County 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 Funds* are 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 the Measure C 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 Measure C Special Revenue Fund. As a result of the consolidation, the Measure C 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 Special Revenue Funds consist of the Measure C Special Revenue Fund and the Regional Transportation Mitigation Fee (RTMF) Special Revenue Fund. The Measure C Special Revenue Fund accounts for the Original Measure C and the Measure C Extension Programs. Revenue sources for the Measure C Special Revenue Fund include sales tax revenue and interest earnings. Beginning with the fiscal year 2012-13, the RTMF Special Revenue Fund is used to account for the RTMF programs. Revenue sources are RTMF fee collections and interest earnings. The fund maintains a negative fund balance as funds are spent in advance of mitigation fees.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Approach (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 fiscal year ended June 30, 2016, 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. This fund maintains a negative net position as funds are spent in advance of Measure C sales tax proceeds.

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 the accrual basis of accounting. However, compensated absences and claims and judgments are recorded only when payment is due and payable.

Amounts reported as *program revenue* include: 1) charges for services and 2) operating grants and contributions which, for the year ended June 30, 2016, are primarily made up of refunds from final accounting on California Department of Transportation (Caltrans) in the amount of \$99,669. General revenues include all taxes, investment earnings and mitigation fees.

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 Position 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, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Position 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 five years. The Authority capitalizes all assets with a useful life of five years or longer.

Accounts Payable

Accounts payable reported on the financial statements of the Authority are amounts that are due and payable at fiscal 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 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, 2016, 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, 2016.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities, when applicable. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide statement of net position, when applicable.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 and 65, the Authority recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. As of June 30, 2016, the Authority had no deferred outflows and reports \$531,721 of deferred inflows of resources.

Net Position

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

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

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

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

Fund Balance

In the fund financial statements, governmental funds report fund balances 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.

- *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 fiscal 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.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance (Continued)

- *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 Executive Director.
- *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 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.

D. Budgets and Budgetary Data

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

A budgetary comparison schedule for the General Fund, Measure C Special Revenue Fund, and the RTMF Special Revenue Fund is presented on pages 32, 33 and 34 respectively, in Required Supplementary Information. Its purpose is to demonstrate compliance with the approved budget for fiscal year 2015-2016. Actual expenditures appearing on the schedule are presented using the accrual basis of accounting. The RTMF Special Revenue Fund had its first legally adopted budget for fiscal year 2015-2016.

E. Other

Professional Services

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

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Other (Continued)

Use of Management Estimates

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

Recently Issued Accounting Pronouncements

GASB Statement No. 72 – Fair Value Measurements and Application – provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 30, 2015. GASB Statement No. 72 does not have a material effect on the Authority's financial statements.

GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans – establishes a consistent set of standards for all postemployment benefits, providing more transparent reporting of the liability and more useful information about the liability and cost of benefits. This statement is effective for periods beginning after June 15, 2016. GASB Statement No. 74 is not expected to have a material effect on the Authority's financial statements.

GASB Statement No. 77 – Tax Abatement Disclosures – requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This statement is effective for periods beginning after December 15, 2015. GASB Statement No. 77 is not expected to have a material effect on the Authority's financial statements.

GASB Statement No. 80 – Blending Requirements for Certain Component Units – revises the standards regarding how certain component units should be presented in the financial statements of the primary government. This statement is effective for periods beginning after June 15, 2016. GASB Statement No. 80 is not expected to have a material effect on the Authority's financial statements.

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

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

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

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 the fiscal year, which is due from the Special Purpose Trust Fund. On October 15, 2008, an agreement was entered into between the Authority and the Fresno COG. The terms of the agreement directed the Authority to issue a loan from the Rail Consolidation Program (Measure C Special Revenue Fund) in the amount of \$2,554,401 to the 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 Measure C 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 are transferred to the Authority on a quarterly basis. As of June 30, 2016, due from Fresno COG for RTMF was \$841,283.

A summary of due from other governments is as follows:

	General Fund	Measure C Special Revenue	RTMF Special Revenue	Total Due from Other Governments
Due from Fresno COG - RTMF	\$ -	\$ -	\$ 841,283	\$ 841,283
Due from Trust Fund - PTIS Loan	-	1,346,533	-	1,346,533
Due from State - Measure C Sales Tax	851,474	4,985,280	-	5,836,754
Total Due from Other Governments, as of June 30, 2016	<u>\$ 851,474</u>	<u>\$ 6,331,813</u>	<u>\$ 841,283</u>	<u>\$ 8,024,570</u>

NOTE 4 – CASH AND INVESTMENTS

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.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – CASH AND INVESTMENTS (CONTINUED)

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, 2016, is presented below:

	Credit Quality Ratings	Carrying Amount
County of Fresno Treasurer's Investment Pool	Not Rated	\$ 220,928,051
Total cash and investments		\$ 220,928,051

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, 2016.

NOTE 5 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016, is as follows:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Governmental Activities				
Capital assets, being depreciated:				
Office equipment	\$ 34,333	\$ 106	\$ -	\$ 34,439
Less accumulated depreciation for:				
Office equipment	(33,080)	(655)	-	(33,735)
Governmental activities				
Capital assets, net	\$ 1,253	\$ (549)	\$ -	\$ 704

Depreciation expense of \$655 was recorded in the statement of activities under the public ways and facilities function for the fiscal year ended June 30, 2016.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Compensated absences	\$ 40,224	\$ 23,763	\$ 19,005	\$ 44,982	\$ 44,982
Long-term liabilities	<u>\$ 40,224</u>	<u>\$ 23,763</u>	<u>\$ 19,005</u>	<u>\$ 44,982</u>	<u>\$ 44,982</u>

Compensated absences will be paid by the General Fund.

NOTE 7 – DUE TO/DUE FROM OTHER FUNDS

Balances of due to and due from other funds at June 30, 2016, consisted of the following:

	<u>Due From Fund</u>	<u>Due To Fund</u>
Measure C Special Revenue Fund	\$ 55,601,466	\$ -
RTMF Special Revenue Fund	-	55,601,466
	<u>\$ 55,601,466</u>	<u>\$ 55,601,466</u>

The balances reflect the amount owed by the RTMF Special Revenue Fund to the Measure C Special Revenue Fund for the Measure C/RTMF loan. In November and December 2014, the Fresno COG and the Authority Boards adopted an update to the Measure C Extension Regional Transportation Mitigation Fee (RTMF) Nexus Study. During the Nexus Study update, it was pointed out that between 2010 and 2015 the Measure C revenue had been used to advance major RTMF projects. The Nexus Study also recommended that the Board take a formal action to recognize this temporary substitution of Measure C revenue in lieu of RTMF funding as a loan from the Measure C to the RTMF so that the Measure C funds can be reimbursed as the RTMF collections come in. According to the recommendation, on June 24, 2015 the Board has approved the Measure C/RTMF Reimbursement/Loan Program which identifies the advance payments of Measure C funds to RTMF projects as eligible RTMF Project costs and recognizes a variable loan from Measure C to RTMF. The Reimbursement/Loan Program also specifies the terms of loan amortization. According to the RTMF Loan amortization schedule, as of June 30, 2016, the outstanding loan balance the RTMF Special Revenue Fund owes to the Measure C Special Revenue Fund is \$55,601,466. Repayment of the outstanding loan shall be made annually by payment of the RTMF cash available at the fiscal year end.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 – DEFERRED INFLOWS OF RESOURCES

Persuant to GASB Statement No. 63, “Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and GASB Statement No. 65, “Items Previously reported as Assets and Liabilities,” the Authority recognized deferred inflows of resources in the government-wide and governmental fund statements. Under the modified accrual basis of accounting, governmental funds defer revenue recognition for revenues not considered available to liquidate liabilities of the current period. The Statement of Net Position and Governmental Funds reports \$531,721 of deferred inflows that are sales tax revenues earned but considered unavailable.

NOTE 9 – OPERATING TRANSFERS

During the fiscal year ended June 30, 2016, the Authority made the following operating transfers:

	Transfer In	Transfer Out
General Fund	\$ 15,825	\$ -
RTMF Special Revenue Fund	-	15,825
	\$ 15,825	\$ 15,825

The Authority has made an operating transfer between the General Fund and the RTMF Special Revenue Fund in the amount of \$15,825. This transfer reflects the reimbursement by the RTMF Special Revenue Fund to the General Fund for the RTMF-related legal expenses.

NOTE 10 – RIGHT-OF-WAY ACQUISITION AGREEMENTS WITH CALTRANS

The Authority has committed to reimburse California Department of Transportation for advance right-of-way acquisition work for certain projects. For the fiscal year ended June 30, 2016, \$20,503 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, 2016, no rental income was received by the Authority for rental of buildings and land.

NOTE 11 – 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, 2016, were \$18,950. There are no contractual future minimum payments due, and the current rate is expected to increase next fiscal year.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 – 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 13 – 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, 2016, fund balances for governmental funds are made up of the following:

- *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, 2016, nonspendable fund balances of governmental funds were \$1,341,987 which represents the long-term PTIS loan receivable balance at the fiscal year-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, 2016, governmental funds report \$204,872,388 of fund balance restricted for non-pass-through transportation projects set force 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, 2016.
- *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 (a) 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, 2016, governmental funds report assigned fund balances of \$71,658,334. Of this amount, \$62,741,146 was assigned for capital projects and \$8,917,188 was assigned for general government.
- *Unassigned Fund Balance* – comprises the residual classification for the 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. As of June 30, 2016, governmental funds report unassigned negative fund balances of \$52,578,023 which is the result of the expenditures in the RTMF Special Revenue Fund incurred for capital projects exceeding the amounts restricted for those purposes in the fund.

FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – FUND BALANCE (CONTINUED)

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 fund balance before unassigned fund balance.

NOTE 14 – COMMITMENTS

The Authority has entered into various contracts since inception with private consulting companies and cooperative agreements with governmental entities amounting to a total commitment of approximately \$874,512,190. The Authority has made cumulative expenditures on these commitments through June 30, 2016 of \$811,771,044. Therefore, the Authority's outstanding commitments at June 30, 2016, total \$62,741,146. These commitments are contingent on the receipt of future revenues for funding; therefore, the Measure C Special Revenue Fund balance is reserved only to the extent of currently available resources.

NOTE 15 – 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 (\$338,125 for the year ended June 30, 2016).

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 up to 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). Two of the Authority employees were covered by the Plan. Actual Authority contributions made during the period (\$21,111 for the fiscal year ended June 30, 2016) represent approximately 6% 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-Federal Insurance Contributions Act (FICA) agency. The maximum contribution to the 457 plans for 2016 is \$18,000 or \$36,000 depending on the employee's age and eligibility. The plan trust is maintained for the exclusive benefit of eligible employees and their beneficiaries.

In addition, Fresno COG pays vacation and sick leave benefits when used by an employee. Fresno COG bills the Authority for benefits when used. The Authority accrues benefits when earned. As of June 30, 2016, there were two employees eligible to receive benefits.

**FRESNO COUNTY TRANSPORTATION AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 – SUBSEQUENT EVENT

In accordance with accounting standards generally accepted in the United States, subsequent events have been evaluated through the issuance date of the financial statements.

On September 21, 2016, an agreement was entered into between the Authority and the City of Fresno (City). The terms and conditions of the agreement direct the Authority to issue a loan from the Rail Consolidation Program (Measure C Special Revenue Fund) in the amount of \$4,600,000 to the City's Trail Program (Special Purpose Trust Fund) to complete the Midtown Trail project. The loan will be repaid with interest by Authority's withholding of the City's monthly Measure C revenue allocations for the City's Trail Program for each of the four fiscal years beginning with the fiscal year 2017-2018 through the fiscal year 2020-2021. The agreement also stipulates that in the event that the loan together with interest is not fully repaid by June 30, 2021, the Authority will withhold the City's Measure C revenue allocations for the Local Transportation Pass-through Flexible Program against the outstanding principal and interest amounts owed by the City. The funding of the loan will be made upon the City's formal request during the fiscal year 2016-2017. As of the issuance date of the financial statements, the funding has not been made.

REQUIRED SUPPLEMENTARY INFORMATION

**FRESNO COUNTY TRANSPORTATION AUTHORITY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Sales tax	\$ 1,429,222	\$ 1,429,222	\$ 1,438,485	\$ 9,263
Interest	284,968	284,968	209,998	(74,970)
Total revenues	<u>1,714,190</u>	<u>1,714,190</u>	<u>1,648,483</u>	<u>(65,707)</u>
Expenditures				
Current:				
Salaries and employee benefits	398,678	472,178	338,125	134,053
Professional services and supplies	1,300,512	1,306,682	769,915	536,767
Contingencies	15,000	15,000	-	15,000
Total expenditures	<u>1,714,190</u>	<u>1,793,860</u>	<u>1,108,040</u>	<u>685,820</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>-</u>	<u>(79,670)</u>	<u>540,443</u>	<u>620,113</u>
Other Financing Sources (Uses)				
Operating transfers in	<u>-</u>	<u>-</u>	<u>15,825</u>	<u>15,825</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,825</u>	<u>15,825</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (79,670)</u>	<u>556,268</u>	<u>\$ 635,938</u>
Fund Balance				
Beginning July 1, 2015			<u>8,360,920</u>	
Ending June 30, 2016			<u>\$ 8,917,188</u>	

**FRESNO COUNTY TRANSPORTATION AUTHORITY
BUDGETARY COMPARISON SCHEDULE – MEASURE C SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Sales tax	\$ 28,121,886	\$ 28,121,886	\$ 29,052,702	\$ 930,816
Interest	1,700,000	1,700,000	5,634,003	3,934,003
Mitigation fees	-	-	-	-
Miscellaneous revenue - construction	-	-	99,669	99,669
Total revenues	29,821,886	29,821,886	34,786,374	4,964,488
Expenditures				
Current:				
Highway capital improvements	29,821,886	38,378,881	7,438,123	30,940,758
Total expenditures	29,821,886	38,378,881	7,438,123	30,940,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(8,556,995)	27,348,251	35,905,246
Other Financing Sources (Uses)				
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	\$ (8,556,995)	27,348,251	\$ 35,905,246
Fund Balance				
Beginning July 1, 2015			241,607,270	
Ending June 30, 2016			<u>\$ 268,955,521</u>	

**FRESNO COUNTY TRANSPORTATION AUTHORITY
BUDGETARY COMPARISON SCHEDULE - RTMF SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Sales tax			\$ -	\$ -
Interest	100,000	100,000	99,177	(823)
Mitigation fees	3,300,000	3,300,000	2,991,117	(308,883)
Miscellaneous revenue - construction			-	-
Total revenues	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,090,294</u>	<u>(309,706)</u>
Expenditures				
Current:				
Highway capital improvements	36,515,473	36,515,473	4,535,073	31,980,400
Total expenditures	<u>36,515,473</u>	<u>36,515,473</u>	<u>4,535,073</u>	<u>31,980,400</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(33,115,473)</u>	<u>(33,115,473)</u>	<u>(1,444,779)</u>	<u>31,670,694</u>
Other Financing Sources (Uses)				
Operating transfers out	(15,000)	(15,000)	(15,825)	(825)
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,825)</u>	<u>(825)</u>
Net change in fund balance	<u>\$ (33,130,473)</u>	<u>\$ (33,130,473)</u>	<u>(1,460,604)</u>	<u>\$ 31,669,869</u>
Fund Balance				
Beginning July 1, 2015			<u>(51,117,419)</u>	
Ending June 30, 2016			<u>\$ (52,578,023)</u>	

OTHER INDEPENDENT AUDITORS' REPORT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Fresno County Transportation Authority, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fresno County Transportation Authority's basic financial statements, and have issued our report thereon dated December 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fresno County Transportation Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fresno County Transportation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fresno County Transportation Authority's internal control.

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

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INDEPENDENT AUDITORS' 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"
(CONTINUED)

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fresno County Transportation 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fresno County Transportation Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fresno County Transportation Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
December 22, 2016