

**CITY OF RIPON
TRANSPORTATION DEVELOPMENT ACT FUNDS**

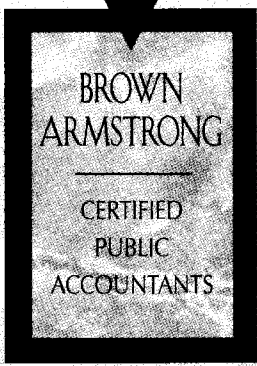
**INDEPENDENT AUDITOR'S REPORTS,
FUND FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION, AND COMPLIANCE REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2012 AND 2011**

**CITY OF RIPON
TRANSPORTATION DEVELOPMENT ACT FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Ripon
Ripon, California

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We have audited the accompanying financial statements of the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund of the City of Ripon, California (City), as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The June 30, 2011, summarized comparative information has been derived from the 2011 financial statements and is included for additional analysis only.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present only the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund of the City and are not intended to present fairly the financial position of the City and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

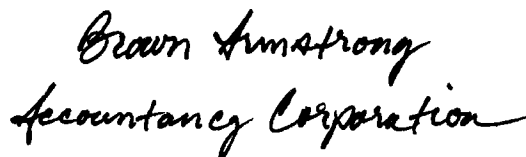


In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, on our consideration of the City's internal control over financial reporting as it relates to the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund and our tests 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 read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements of the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in black ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 31, 2012

**CITY OF RIPON
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
BALANCE SHEETS
JUNE 30, 2012 AND 2011**

	Transportation Development Act Fund	Measure K Fund	Totals	
			2012	2011
ASSETS				
Cash and investments	\$ 110,691	\$ 498,406	\$ 609,097	\$ 275,134
Due from other agencies	-	75,000	75,000	236,668
TOTAL ASSETS	\$ 110,691	\$ 573,406	\$ 684,097	\$ 511,802
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Due to other funds	\$ 5,121	\$ -	\$ 5,121	\$ -
TOTAL LIABILITIES	5,121	-	5,121	-
FUND BALANCES				
Restricted	105,570	573,406	678,976	511,802
TOTAL FUND BALANCES	105,570	573,406	678,976	511,802
TOTAL LIABILITIES AND FUND BALANCES	\$ 110,691	\$ 573,406	\$ 684,097	\$ 511,802

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

**CITY OF RIPON
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	Transportation	Measure K	Totals	
	Development Act Fund		Fund	2012
REVENUES				
Local Transportation Funds				
Streets and roads	\$ 403,530	\$ -	\$ 403,530	\$ 367,227
Pedestrian and bicycle	8,358	-	8,358	8,101
Measure K Funds				
Local street repair	-	300,000	300,000	185,846
Bikeway programs	-	-	-	14,474
Investment earnings	3,080	2,206	5,286	4,527
	<u>414,968</u>	<u>302,206</u>	<u>717,174</u>	<u>580,175</u>
TOTAL REVENUES				
	414,968	302,206	717,174	580,175
TOTAL EXPENDITURES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>414,968</u>	<u>302,206</u>	<u>717,174</u>	<u>580,175</u>
OTHER FINANCING USES				
Intergovernmental transfers	(550,000)	-	(550,000)	(500,000)
	<u>(550,000)</u>	<u>-</u>	<u>(550,000)</u>	<u>(500,000)</u>
TOTAL OTHER FINANCING USES				
	(550,000)	-	(550,000)	(500,000)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(135,032)	302,206	167,174	80,175
FUND BALANCES, BEGINNING OF YEAR				
	<u>240,602</u>	<u>271,200</u>	<u>511,802</u>	<u>431,627</u>
FUND BALANCES, END OF YEAR				
	<u>\$ 105,570</u>	<u>\$ 573,406</u>	<u>\$ 678,976</u>	<u>\$ 511,802</u>

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

**CITY OF RIPON
TRANSIT ENTERPRISE FUND
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011**

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 220,039	\$ 73,740
Accounts receivable	1,796	250
Due from other funds	5,121	-
TOTAL CURRENT ASSETS	226,956	73,990
TOTAL ASSETS	\$ 226,956	\$ 73,990
LIABILITIES		
Deferred revenue - PTMISEA	\$ 218,144	\$ 68,884
Deferred revenue - other	7,119	3,413
TOTAL LIABILITIES	225,263	72,297
NET ASSETS		
Unrestricted net assets	1,693	1,693
TOTAL NET ASSETS	1,693	1,693
TOTAL LIABILITIES AND NET ASSETS	\$ 226,956	\$ 73,990

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

**CITY OF RIPON
TRANSIT ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Fares	\$ 255	\$ 184
Bus rental	<u>1,000</u>	<u>1,000</u>
TOTAL OPERATING REVENUES	<u>1,255</u>	<u>1,184</u>
OPERATING EXPENSES		
Operations	2,180	1,584
Vehicle maintenance	3,488	567
Administration	<u>2,207</u>	<u>2,099</u>
TOTAL OPERATING EXPENSES	<u>7,875</u>	<u>4,250</u>
OPERATING LOSS	(6,620)	(3,066)
NONOPERATING REVENUES		
Local Transportation funds	794	-
State Transit Assistance funds	5,046	2,643
Interest	<u>780</u>	<u>38</u>
TOTAL NONOPERATING REVENUES	<u>6,620</u>	<u>2,681</u>
CHANGE IN NET ASSETS	-	(385)
NET ASSETS, BEGINNING OF YEAR	<u>1,693</u>	<u>2,078</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,693</u></u>	<u><u>\$ 1,693</u></u>

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

**CITY OF RIPON
TRANSIT ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,255	\$ 1,184
Cash disbursements for payroll and payroll related expenditures	(4,387)	(1,855)
Cash disbursements for services and supplies	(3,488)	(567)
NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	(6,620)	(1,238)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local Transportation funds	794	1,029
State Transit Assistance funds	2,085	5,027
NET CASH AND CASH EQUIVALENTS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	2,879	6,056
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
PTMISEA funds	149,000	68,499
NET CASH AND CASH EQUIVALENTS PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	149,000	68,499
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,040	423
NET INCREASE IN CASH AND CASH EQUIVALENTS	146,299	73,740
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	73,740	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 220,039	\$ 73,740
RECONCILIATION OF OPERATING LOSS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES		
Operating loss	\$ (6,620)	\$ (3,066)
Adjustment to reconcile operating loss to net cash and cash equivalents used in operating activities:		
Change in assets and liabilities		
(Increase) decrease in due from other agencies	-	4,500
Increase (decrease) in cash overdraft	-	(2,672)
NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	\$ (6,620)	\$ (1,238)

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

**CITY OF RIPON
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
AND TRANSIT ENTERPRISE FUND
NOTES TO THE FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

NOTE 1 – ORGANIZATION

The City of Ripon (City) receives funds under the provisions of the Transportation Development Act (TDA) from the San Joaquin County Local Transportation Fund (LTF) under Article 4, Section 99260 for public transportation. The City's Article 4 LTF funds are for the support of public transportation systems as defined in the TDA. The City operates a dial-a-ride and a fixed route service to Modesto one day per week for its elderly and disabled citizens. The City's Transit Enterprise Fund is used to account for TDA funds received by the City for public transportation, which is reflected in these financial statements as the City Transit Enterprise Fund.

The City receives funds under the provisions of the TDA from the San Joaquin County LTF under Article 8, Section 99400(a) for local streets and roads projects, and Article 3, Section 99234 for pedestrian and bicycle facilities. The funds provided under Article 8 represent amounts available after the determination by the San Joaquin Council of Governments, the transportation planning agency administering TDA funds, of amounts needed for local streets and roads of the City. The funds provided under Article 3, Section 99234 represent amounts set aside to be allocated for pedestrian and bicycle facilities within the jurisdictions of San Joaquin County and represent up to 2% of the available funds countywide. The City Transportation Development Act (TDA) Fund is used to account for these funds received by the City for non-transit purposes, which is reflected in these financial statements of the TDA Fund allocated for non-transit purposes.

The City also receives funds from an ordinance (Measure K) passed by San Joaquin County voters resulting in a sales tax increase of one-half of one percent for transportation improvements. The San Joaquin Council of Governments, acting as the Local Transportation Authority, oversees the collection and distribution of the sales tax in accordance with the twenty-year transportation expenditure plan. The plan calls for street repairs, safety and operational improvements on streets and roads, projects to reduce street and highway congestion, and the promotion of passenger rail and bus services as an alternative to travel by automobile. The City Measure K Transportation Fund is used to account for these funds, which is reflected in these financial statements of the Measure K Fund.

The City, as other like-sized cities in the State of California, maintains its accounting records on a cash basis, wherein the total cash available at any time is offset by the then recorded fund balances. This method of accounting does not recognize receivables due to the City, payables due from the City, and investments in property and equipment. However, for purposes of these financial statements of the TDA and Measure K Funds, the modified accrual basis of accounting is used.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the TDA Fund, Measure K Fund, and Transit Enterprise Fund of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity

The financial statements are intended to present the financial position, results of operations, and cash flows of only transactions recorded in the TDA Fund, Measure K Fund, and Transit Enterprise Fund of the City. The funds are included in the financial statements of the City.

C. Fund Accounting

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

The TDA and Measure K Funds are governmental funds specifically categorized as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Transit Enterprise Fund is a proprietary fund specifically categorized as an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector. The City uses an enterprise fund to account for its transit operations because fees are charged to external users for services provided.

Under the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City applies all applicable GASB pronouncements for the Transit Enterprise Fund as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Measurement Focus and Basis of Accounting

The TDA Fund and the Measure K Fund are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available and expenditures are recognized when the fund liabilities are incurred. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City uses an availability period of 60 days. Revenues that are susceptible to accrual include local transportation fund allocations and interest income.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

All City monies are invested in a cash and investments pool, whereby funds can spend cash at any time without prior notice or penalty. Therefore, for purposes of the statements of cash flows, all enterprise fund cash on hand and in the pool are considered cash and cash equivalents.

F. Interfund Transactions

During the course of operations, operating transactions occur between the TDA and Measure K Funds, where revenues are received, and other governmental funds, where expenditures occur. These transactions are classified as “intergovernmental transfers” on the statements of revenues, expenditures, and changes in fund balances.

G. Capital Assets

All purchased capital assets are valued at cost where historical cost records are available and at an estimated historical cost where no historical records exist.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of all capital assets in the Transit Enterprise Fund is computed using the straight-line method over their estimated useful lives. Estimated useful lives of vehicles are 5 years.

H. Net Assets/Fund Balance

The financial statements of the enterprise fund utilize a net assets presentation. Net assets are categorized as follows:

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – 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 Assets* – This category represents net assets of the City, not restricted for any project or other purpose.

The City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2012. Accordingly, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Net Assets/Fund Balance (Continued)

- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (the City Council) 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 a City Council adopted resolution.
- *Assigned fund balance* – amounts that are constrained by the City'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.
- *Unassigned fund balance* – the residual classification for the City'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.

I. Grant

Grant revenues and receivables are recorded when eligibility requirements which have been imposed by the provider have been met. Grant sources include Federal Transit Administration (FTA), State Transit Assistance (STA), and Local Transportation Fund (LTF). The LTF and STA were created by the State Legislature under the TDA.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

K. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

L. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in financial position and operations of the City TDA Fund, Measure K Fund, and Transit Enterprise Fund.

NOTE 3 – CASH AND INVESTMENTS

The cash and investment balances for the City TDA Fund, Measure K Fund, and Transit Enterprise Fund are held in the City's cash and investment pool. The City maintains a cash and investment pool in order to facilitate the management of cash. Interest is allocated to its various funds based upon average cash balances. Investments held in the City's cash management pool are available on demand to the City TDA Fund, Measure K Fund, and Transit Enterprise Fund and are stated at fair value. Information regarding categorization of investments can be found in the City's financial statements.

NOTE 4 – CAPITAL ASSETS

Capital assets consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Transit vehicles	\$ 56,695	\$ 56,965
Less: accumulated depreciation	<u>(56,695)</u>	<u>(56,965)</u>
	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – FARE REVENUE RATIO

The TDA funds allocated for transit purposes to the Transit Enterprise Fund are required by the San Joaquin Council of Governments to maintain a fare revenue to operating expenses ratio of not less than 10% in accordance with the TDA. The calculations of the fare revenue ratios are as follows for the years ending June 30:

	<u>2012</u>	<u>2011</u>
Fare revenues	<u>\$ 1,255</u>	<u>\$ 1,184</u>
Operating expenses	\$ 7,875	\$ 4,250
Less: allowable exclusions		
Depreciation	<u>-</u>	<u>-</u>
Net operating expenses	<u>\$ 7,875</u>	<u>\$ 4,250</u>
Fare revenue ratio	<u>15.94%</u>	<u>27.86%</u>

As of June 30, 2012 and 2011, the City met its fare revenue ratio and is in compliance with the TDA.

NOTE 6 – DEFERRED REVENUE

	<u>2012</u>	<u>2011</u>
Transit Enterprise Fund		
Deferred revenue - PTMISEA, beginning of year	\$ 68,884	\$ -
PTMISEA allocations	149,000	68,499
Interest	260	385
PTMISEA funds allowed	<u>-</u>	<u>-</u>
Deferred revenue - PTMISEA, end of year	<u>\$ 218,144</u>	<u>\$ 68,884</u>

	<u>2012</u>	<u>2011</u>
Transit Enterprise Fund		
Deferred revenue - TDA, beginning of year	\$ 3,413	\$ -
TDA allocations	9,546	6,056
TDA funds allowed	<u>(5,840)</u>	<u>(2,643)</u>
Deferred revenue - TDA, end of year	<u>\$ 7,119</u>	<u>\$ 3,413</u>

NOTE 6 – DEFERRED REVENUE (Continued)

PTMISEA

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

During fiscal year ended June 30, 2012, the City received \$149,000 in PTMISEA funds and received interest of \$260 on deposits of PTMISEA funds. During the year ended June 30, 2012, \$0 was disbursed.

Schedule of PTMISEA Bond 1B Funds For the Year Ended June 30, 2012	
Description	Amount
Balance -- beginning of the year	\$ 68,884
Revenue:	
Interest accrued through June 30, 2012	260
State EFT -- June 11, 2012	149,000
Expenses:	-
Balance -- end of year	<u>\$ 218,144</u>

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 31, 2012, the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**CITY OF RIPON
TRANSPORTATION DEVELOPMENT ACT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local transportation funds and investment earnings	<u>\$ 453,000</u>	<u>\$ 453,000</u>	<u>\$ 414,968</u>	<u>\$ (38,032)</u>
Total revenues	453,000	453,000	414,968	(38,032)
EXPENDITURES				
Streets and roads	-	-	-	-
OTHER FINANCING USES				
Intergovernmental transfers	<u>-</u>	<u>-</u>	<u>550,000</u>	<u>(550,000)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u><u>\$ 453,000</u></u>	<u><u>\$ 453,000</u></u>	(135,032)	<u><u>\$ (588,032)</u></u>
Fund balance, beginning			<u>240,602</u>	
Fund balance, ending			<u><u>\$ 105,570</u></u>	

See note to supplementary information.

**CITY OF RIPON
MEASURE K FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Measure K funds and investment earnings	<u>\$ 220,000</u>	<u>\$ 220,000</u>	<u>\$ 302,206</u>	<u>\$ 82,206</u>
Total revenues	220,000	220,000	302,206	82,206
EXPENDITURES				
Measure K funds	-	-	-	-
OTHER FINANCING USES				
Intergovernmental transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u>\$ 220,000</u>	<u>\$ 220,000</u>	302,206	<u>\$ 82,206</u>
Fund balance, beginning			<u>271,200</u>	
Fund balance, ending			<u>\$ 573,406</u>	

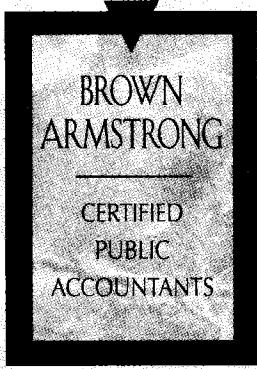
See note to supplementary information.

**CITY OF RIPON
TRANSPORTATION DEVELOPMENT ACT AND MEASURE K FUNDS
NON-TRANSIT PURPOSES
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

NOTE 1 – BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the Transportation Development Act and Measure K Funds. All appropriations lapse at year-end. The appropriate budget is prepared by department, function, and fund. The City Manager may make transfers of appropriations between departments within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control is the object level within a fund.

OTHER 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 THE BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND THE TRANSPORTATION DEVELOPMENT ACT

To the Board of Directors
San Joaquin Council of Governments
Stockton, California

To the City Council
City of Ripon
Ripon, California

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We have audited the accompanying financial statements of the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund of the City of Ripon, California (City), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 31, 2012, which included an explanatory paragraph describing that the financial statements only present the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as it relates to the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transportation Development Act Fund, Measure K Fund, and the Transit Enterprise Fund financial statements are free of material misstatement, we performed tests of the City's 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. Our audit was further made to determine that Transportation Development Act funds allocated to and received by the City were expended in conformance with applicable statutes, rules and regulations of the Transportation Development Act and the allocation instructions and resolutions of the San Joaquin Council of Governments as required by Sections 6666 and 6667 of Title 21 of the California Code of Regulations. 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* and the Transportation Development Act.

Also as part of our audit, we performed tests of compliance to determine whether certain State bond funds were received and expended in accordance with the applicable bond act and State accounting requirements.

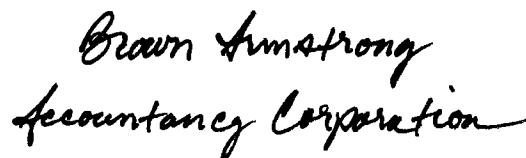
In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public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

During fiscal year ended June 30, 2012, the City received \$149,000 in PTMISEA funds and received interest of \$260 on deposits of PTMISEA funds. During the year ended June 30, 2012, \$0 was disbursed.

Schedule of PTMISEA Bond 1B Funds For the Year Ended June 30, 2012	
Description	Amount
Balance -- beginning of the year	\$ 68,884
Revenue:	
Interest accrued through June 30, 2012	260
State EFT -- June 11, 2012	149,000
Expenses:	-
Balance -- end of year	<u>\$ 218,144</u>

This report is intended solely for the information and use of the Board of Directors, the City Council, management, others within the City, and the grant oversight agencies 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 31, 2012