

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUND

Audited Financial Statements
and Compliance Report

June 30, 2015

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUND

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Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Roseville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Funds allocated to the City of Roseville, as of and for the year ended June 30, 2015, and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 entity'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 entity'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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Development Act Funds of the City of Roseville as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Roseville, California

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the Transportation Development Act Funds of the City of Roseville and do not purport to, and do not, present fairly the financial position of the City of Roseville as of June 30, 2015, the changes in financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note P to the basic financial statements, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the year ended June 30, 2015. Due to the implementation of these Statements, the City recognized deferred outflows of resources and a pension liability for its cost-sharing pension plans as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

We have previously audited the TDA Fund financial statements dated March 31, 2015. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived. Information was not available from the City’s pension plan to reflect the implementation of GASB Statement No. 68, as of June 30, 2014 so these amounts are not comparable to the June 30, 2015 amounts.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016 on our consideration of the City’s internal control over financial reporting related to the Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including the Transportation Development Act and PTMISEA Guidelines. 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 City’s internal control over financial reporting and compliance.

Richardson & Company, LLP

March 22, 2016

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENTS OF NET POSITION

June 30, 2015
(With Comparative Totals as of June 30, 2014)

	Transit Fund	Transportation Fund	Transit Project Fund
ASSETS			
CURRENT ASSETS			
Cash and cash investments	\$ 8,741,722	\$ 3,576,429	\$ 125,106
Accounts receivable	26,346	960	9,823
Due from other agencies	167,635	277,927	
Interest receivable	16,819	3,170	244
Due from other funds	3,715,000		
TOTAL CURRENT ASSETS	12,667,522	3,858,486	135,173
NONCURRENT ASSETS			
Capital assets, nondepreciable	1,281,632	2,376,462	
Capital assets, depreciable, net	7,251,215	4,955,244	
TOTAL NONCURRENT ASSETS	8,532,847	7,331,706	
TOTAL ASSETS	21,200,369	11,190,192	135,173
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	89,506	89,799	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 21,289,875	\$ 11,279,991	\$ 135,173
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 264,082	\$ 190,673	
Accrued salaries and benefits	19,995	21,379	
Due to other funds		3,715,000	
Compensated absences	35,962	30,900	
Unearned revenue	11,014,552		
TOTAL CURRENT LIABILITIES	11,334,591	3,957,952	
NONCURRENT LIABILITIES			
Compensated absences	61,227	83,167	
Net pension liability	930,440	947,055	
NONCURRENT LIABILITIES	991,667	1,030,222	
TOTAL LIABILITIES	12,326,258	4,988,174	
DEFERRED INFLOWS OF RESOURCES			
Pensions	131,388	133,734	
NET POSITION			
Net investment in capital assets	8,532,847	7,331,706	
Restricted for Local Transportation	299,382		135,173
Restricted for PTMISEA projects		31,503	
Deficit		(1,205,126)	
TOTAL NET POSITION	8,832,229	6,158,083	135,173
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 21,289,875	\$ 11,279,991	\$ 135,173

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

CTSA Call Center	Totals	
	2015	2014
\$ 884,279	\$ 13,327,536	\$ 10,687,664
	37,129	32,278
29,008	474,570	2,894,830
1,665	21,898	23,229
	3,715,000	
<u>914,952</u>	<u>17,576,133</u>	<u>13,638,001</u>
	3,658,094	2,861,072
275,114	12,481,573	14,297,583
<u>275,114</u>	<u>16,139,667</u>	<u>17,158,655</u>
<u>1,190,066</u>	<u>33,715,800</u>	<u>30,796,656</u>
<u>8,050</u>	<u>187,355</u>	
<u>\$ 1,198,116</u>	<u>\$ 33,903,155</u>	<u>\$ 30,796,656</u>
\$ 46,338	\$ 501,093	\$ 359,493
2,042	43,416	44,221
	3,715,000	
2,326	69,188	64,791
	11,014,552	10,422,603
<u>50,706</u>	<u>15,343,249</u>	<u>10,891,108</u>
910	145,304	125,542
83,074	1,960,569	
<u>83,984</u>	<u>2,105,873</u>	<u>125,542</u>
<u>134,690</u>	<u>17,449,122</u>	<u>11,016,650</u>
<u>11,731</u>	<u>276,853</u>	
275,114	16,139,667	17,158,655
776,581	1,211,136	2,602,711
	31,503	18,640
	(1,205,126)	
<u>1,051,695</u>	<u>16,177,180</u>	<u>19,780,006</u>
<u>\$ 1,198,116</u>	<u>\$ 33,903,155</u>	<u>\$ 30,796,656</u>

CITY OF ROSEVILLE

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2015
(With Comparative Totals as of June 30, 2014)

	Transit Fund	Transportation Fund	Transit Project Fund
OPERATING REVENUES			
Passenger fares	\$ 1,035,368		
TOTAL OPERATING REVENUES	<u>1,035,368</u>		
OPERATING EXPENSES			
Salaries and benefits	487,194	\$ 542,992	
Purchased transportation	3,343,169		
Maintenance, materials and supplies	1,315,505	709,458	
Depreciation	1,898,180	256,267	
TOTAL OPERATING EXPENSES	<u>7,044,048</u>	<u>1,508,717</u>	
OPERATING LOSS	(6,008,680)	(1,508,717)	
NONOPERATING REVENUES (EXPENSES)			
Local Transportation Funds	1,761,127	4,309,885	
State Transit Assistance Funds	502,826		
Federal and state grants - operating	335,548	35,875	
Interest revenues	59,231	7,424	\$ 873
Gain(loss) on sale of capital assets	(99,312)		
Other revenues	146,676	29,592	30,358
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>2,706,096</u>	<u>4,382,776</u>	<u>31,231</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(3,302,584)	2,874,059	31,231
Federal and state grants - capital	2,222,439	464,175	
Capital contributions from other City funds			
Transfer in from TDA-related funds			
Transfer out to TDA-related funds			
Transfer in from other City funds	44,482		
Transfer out to other City funds	(245,652)	(3,669,561)	
CHANGE IN NET POSITION	(1,281,315)	(331,327)	31,231
Net position, beginning of year - as previously reported	11,093,203	7,486,563	103,942
Change in accounting principles - Note P	(979,659)	(997,153)	
Net position, beginning of year - as restated	<u>10,113,544</u>	<u>6,489,410</u>	<u>103,942</u>
NET POSITION, END OF YEAR	<u>\$ 8,832,229</u>	<u>\$ 6,158,083</u>	<u>\$ 135,173</u>

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

CTSA Call Center	Totals	
	2015	2014
	\$ 1,035,368	\$ 1,003,328
	1,035,368	1,003,328
\$ 59,772	1,089,958	1,051,259
	3,343,169	3,255,152
287,894	2,312,857	1,751,086
16,157	2,170,604	1,445,664
363,823	8,916,588	7,503,161
(363,823)	(7,881,220)	(6,499,833)
296,696	6,367,708	6,651,277
	502,826	490,408
79,008	450,431	2,024,555
4,947	72,475	83,941
	(99,312)	5,100
30,000	236,626	164,268
410,651	7,530,754	9,419,549
46,828	(350,466)	2,919,716
	2,686,614	1,192,326
	-	153,819
	-	130,534
	-	(130,534)
	44,482	52,279
(3,961)	(3,919,174)	(843,506)
42,867	(1,538,544)	3,474,634
1,096,298	19,780,006	16,305,372
(87,470)	(2,064,282)	
1,008,828	17,715,724	16,305,372
\$ 1,051,695	\$ 16,177,180	\$ 19,780,006

CITY OF ROSEVILLE

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2015
(With Comparative Totals as of June 30, 2014)

	Transit Fund	Transportation Fund	Transit Project Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,035,368		
Payments to employees and related benefits	(491,504)	\$ (657,511)	
Payments to suppliers	(4,592,422)	(531,276)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(4,048,558)	(1,188,787)	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating grants and other revenues	4,627,601	4,267,062	\$ 25,990
Interfund borrowings	(3,715,000)	3,715,000	
Transfers in	44,482		
Transfers out	(245,652)	(3,669,561)	
NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	711,431	4,312,501	25,990
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants	3,219,710	459,176	
Purchases of capital assets	(716,177)	(995,285)	
Proceeds from sale of capital assets	142,904	317,630	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	2,646,437	(218,479)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings on investments	63,214	4,254	669
NET CASH PROVIDED BY INVESTING ACTIVITIES	63,214	4,254	669
NET INCREASE IN CASH AND CASH EQUIVALENTS	(627,476)	2,909,489	26,659
Cash and cash equivalents, beginning of year	9,369,198	666,940	98,447
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,741,722	\$ 3,576,429	\$ 125,106

CTSA Call Center	Totals	
	2015	2014
	\$ 1,035,368	\$ 1,003,328
\$ (264,493)	(1,413,508)	(1,030,740)
(58,039)	(5,181,737)	(5,291,236)
(322,532)	(5,559,877)	(5,318,648)
652,024	9,572,677	7,965,231
	-	
	44,482	182,813
(3,961)	(3,919,174)	(974,040)
648,063	5,697,985	7,174,004
	3,678,886	2,982,118
	(1,711,462)	(4,218,254)
	460,534	5,100
	2,427,958	(1,231,036)
5,669	73,806	93,779
5,669	73,806	93,779
331,200	2,639,872	718,099
553,079	10,687,664	9,969,565
\$ 884,279	\$ 13,327,536	\$ 10,687,664

CITY OF ROSEVILLE

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF CASH FLOWS (Continued)

For the Year Ended June 30, 2015
 (With Comparative Totals as of June 30, 2014)

	Transit Fund	Transportation Fund	Transit Project Fund
RECONCILIATION OF OPERATING LOSS			
TO NET CASH PROVIDED (USED) BY			
OPERATING ACTIVITIES			
Operating loss	\$ (6,008,680)	\$ (1,508,717)	\$ -
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation	1,898,180	256,267	
Construction in process expensed			
Change in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Deferred outflows/inflows of resources	124,153	127,675	
Accounts payable	66,252	51,947	
Accrued salaries	(1,118)	1,101	
Other accrued liabilities			
Compensated absences payable	4,145	16,778	
Net pension liability	(131,490)	(133,838)	
	<u>(131,490)</u>	<u>(133,838)</u>	
NET CASH PROVIDED (USED) BY			
OPERATING ACTIVITIES	<u>\$ (4,048,558)</u>	<u>\$ (1,188,787)</u>	<u>\$ -</u>

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

CTSA Call Center	Totals	
	2015	2014
\$ (363,823)	\$ (7,881,220)	\$ (6,499,833)
16,157	2,170,604	1,445,664 42,796
11,027	262,855	
23,401	141,600	(302,747)
(788)	(805)	2,809
	-	(17,369)
3,236	24,159	10,032
<u>(11,742)</u>	<u>(277,070)</u>	
<u>\$ (322,532)</u>	<u>\$ (5,559,877)</u>	<u>\$ (5,318,648)</u>

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A – ORGANIZATION

The City of Roseville (the City) receives funds from the Placer County Transportation Agency under the provisions of the Transportation Development Act (TDA) from the Placer County Local Transportation Fund (LTF) under Article 4, Section 99260(a) and Article 8, 99400(a) and State Transit Assistance Fund (STAF) under Article 4, Section 6730(a). The STAF funds are to be used for public transportation purposes only. The City's Article 4 LTF funds are for the support of public transportation systems as defined in the TDA.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the City of Roseville's Transportation Development Act Funds (the Funds) have been prepared in conformity with generally accepted accounting principles (GAAP) 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.

Reporting Entity: The financial statements are intended to present the financial position, results of operations and cash flows of only transactions recorded in the Funds. The Funds are included in the financial statements of the City.

Fund Accounting: The accounts of the Funds are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The City utilizes the enterprise fund type of the proprietary fund group to account for the activities of the Funds. The following funds are used by the City to account for its TDA funds:

Transit Fund: The Transit Fund is used to account for the operation of the City's transit system. The principal operating revenues are charges to passengers for public transit services. Operating expenses include the cost of transit services, administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as nonoperating.

Transportation Fund: The Transportation Fund accounts for Local Transportation Funds which have been allocated for the purpose of street and road infrastructure and pedestrian and bicycle improvements.

Transit Project Fund: The Transit Project Fund accounts for Local Transportation Fund and State Transit Assistance Funds which have been allocated for the purpose of transit facility construction and acquisition.

CTSA Call Center: The CTSA Call Center Fund accounts for Local Transportation Fund which have been allocated for the construction and operation of the Placer County Transportation Call Center.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. TDA and grant revenues are recorded when all eligibility requirements have been met.

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.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents: For the purposes of reporting cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption “cash and investments” and consist of amounts held in the City’s cash and investment pool, which are available on demand.

Capital Assets: Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available provided such costs exceed the respective capitalization threshold and the expected useful life of the asset is greater than one year. Contributed capital assets are valued at their estimated fair market value on the date of contribution.

Capital assets with limited useful lives are depreciated over their estimated useful lives. Alternatively, the “modified approach” is used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimate useful lives of the assets and capitalization thresholds are listed below:

	Useful Lives	Capitalization Thresholds
Buildings & Improvements	20-40 years	\$ 10,000
Equipment	3-12 years	5,000
Transit vehicles	5-10 years	5,000
Bike paths	20 years	10,000
Bridges	90 years	10,000
Culverts	75 years	10,000
Sidewalks	20 years	10,000
Drain inlets	50 years	10,000
Storm drains	75 years	10,000

The Funds have acquired certain assets with funding provided by federal and state assistance from various grant programs. The Funds holds title to these assets; however, the federal government retains an interest in those assets for which it has contributed funding should the assets no longer be used for transit purposes. Currently only transit vehicles have been purchased as a capital asset using federal money.

Compensated Absences: Employees accrue vacation, sick and compensatory time off benefits. An employee may accumulate vacation time equal to the amount that can be earned in a two-year period. Vacation pay is paid upon separation of service or retirement. Sick leave benefits may be applied to earlier retirement. Upon termination, sick leave benefits in excess of a specified maximum are paid. All vacation and sick leave is accrued when incurred in the proprietary fund statements.

Deferred Inflows/Outflows of Resources: In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense/expenditure until then. The Funds have one item, employer pension contributions, that qualifies for reporting in this category, related to the implementation of GASB 68.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents the net difference between projected and actual earnings on pension plan investments.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During the fiscal year ended June 30, 2015, the City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. As a result, the fiscal year ended June 30, 2015 will be the initial year that deferred inflows and outflows are reported in the Statement of Net Position. As of June 30, 2015, the Funds have deferred outflows of resources related to employer pension contributions and deferred inflows of resources, which are the net difference between projected and actual earning on pension plan investments, as described in Note O.

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

Restricted Net Position: Restrictions of net position show amounts that are legally restricted for specific uses.

Use of Estimates: The preparation of the financial statements in conformity with GAAP required 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Investment in the City’s Cash and Investment Pool: The Fund’s cash and investments are held in the City’s cash and investment pool. The City maintains a cash and investment pool and allocates interest to various funds based upon average cash balances. Investments held in the City’s investment pool are available on demand to the fund and are stated at cost, which approximates fair value. The City’s investment policy, interest rate risk and credit risk may be found in the notes to the City’s basic financial statements.

NOTE D – DUE FROM OTHER GOVERNMENTAL AGENCIES

The due from other governments for the City consisted of the following at June 30, 2015:

Federal Transit Administration grants	\$ 162,289
Local Transportation Funds	143,466
Other	<u>168,815</u>
Total due from other governmental agencies	<u>\$ 474,570</u>

NOTE E – INTERFUND BALANCES AND TRANSACTIONS

Amounts reported as due to or from other TDA related funds arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2015, there was an interfund due to and due from balance of \$3,715,000 from the Transportation Fund to the Transit Fund for street expenses paid for by the Transit Fund that should have been paid by the Transportation Fund. The transfers in to the Transit Fund consisted of \$44,482 from the General Fund from property tax revenue for transit purposes. The transfers out in the Transit Fund consisted mostly of \$218,714 to the General Fund for indirect costs and \$26,558 to the General Fund for public works audit expenditures. Significant transfers out in the Transportation Fund consisted of \$3,450,000 to the Roadway Fund for street and road and bicycle and pedestrian expenditures, \$127,869 to the General Fund for indirect costs, \$79,485 to the Public Facilities Fund for bicycle and pedestrian expenditures and \$12,207 to the Postretirement Insurance Fund for pension-related expenses.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE F – CAPITAL ASSETS

Capital asset activity consisted of the following for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Capital assets, not being depreciated					
Land	\$ 307,745	\$ 520,489			\$ 828,234
Easements	41,599				41,599
Infrastructure (modified)	51,757				51,757
Construction in progress	2,459,971	1,087,643	\$ (347,914)	\$ (463,196)	2,736,504
Total capital assets, not being depreciated	2,861,072	1,608,132	(347,914)	(463,196)	3,658,094
Capital assets being depreciated					
Buildings and improvements	2,095,315				2,095,315
Equipment	2,054,401	92,898	(12,000)		2,135,299
Vehicles	14,920,059	10,432	(2,122,504)		12,807,987
Bike paths	4,078,092			402,405	4,480,497
Bridges	1,702,403				1,702,403
Culverts	305,329			51,632	356,961
Sidewalks	110,989			9,159	120,148
Drain inlets	24,662				24,662
Storm drains	38,069				38,069
Total capital assets, being depreciated	25,329,319	103,330	(2,134,504)	463,196	23,761,341
Less accumulated depreciation for:					
Buildings and improvements	(853,825)	(68,333)			(922,158)
Equipment	(931,922)	(255,769)	12,000		(1,175,691)
Vehicles	(7,669,391)	(1,604,762)	1,910,572		(7,363,581)
Bike paths	(1,419,967)	(211,630)			(1,631,597)
Bridges	(104,036)	(18,915)			(122,951)
Culverts	(25,997)	(4,415)			(30,412)
Sidewalks	(17,586)	(5,779)			(23,365)
Drain inlets	(4,342)	(494)			(4,836)
Storm drains	(4,670)	(507)			(5,177)
Total accumulated depreciation	(11,031,736)	(2,170,604)	1,922,572	-	(11,279,768)
Net capital assets being depreciated	14,297,583	(2,067,274)	(211,932)	463,196	12,481,573
Total capital assets, net	\$ 17,158,655	\$ (459,142)	\$ (559,846)	\$ -	\$ 16,139,667

NOTE G – LONG-TERM LIABILITIES

Changes in long-term liabilities consisted of the following for the years ended June 30:

	Balance June 30, 2014 (As Restated)	Additions	Used	Balance June 30, 2015	Due Within One Year
Compensated absences	\$ 190,333	\$ 57,283	\$ 33,124	\$ 214,492	\$ 69,188
Net pension liability	2,237,639		277,070	1,960,569	
	\$ 2,427,972	\$ 57,283	\$ 310,194	\$ 2,175,061	\$ 69,188

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE H – FARE REVENUE RATIO

The City is required under the Transportation Development Act to maintain a fare revenue to operating expenses ratio of 15%. The calculation of the fare revenue ratio for the year ended June 30, 2015, is as follows:

Passenger fare revenues (excludes charter revenues)	\$ 1,035,368
Local support - advertising	96,158
Local support - cash transfers in	44,482
	<u>\$ 1,176,008</u>
Operating expenses	\$ 7,044,048
Less allowable exclusions:	
Depreciation	<u>(1,898,180)</u>
	<u>\$ 5,145,868</u>
Fare revenue ratio	<u>22.85%</u>

NOTE I – UNEARNED REVENUE

The Local Transportation Fund (LTF) allocates monies to the transit system to support operations. LTF allocations are considered earned when they are properly spent for operations by the transit system. Allocations in excess of this amount are recorded as unearned revenue. The maximum eligibility for LTF allocations for the year ended June 30, 2015, was determined as follows:

Operating expenses	\$ 7,044,048
Adjustments:	
Depreciation	(1,898,180)
Fare box revenues	(1,035,368)
State Transit Assistance revenue	(502,826)
Grant revenue	(335,548)
Interest revenues	(59,231)
Other revenues	(146,676)
Net transfers	<u>201,170</u>
Maximum eligibility for operating	<u>\$ 3,267,389</u>
Capital expenditures	\$ 716,177
Adjustments:	
Grant revenue	<u>(2,222,439)</u>
Maximum eligible for capital	<u>\$ (1,506,262)</u>

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE I – UNEARNED REVENUE (Continued)

A schedule of changes in unearned revenue for the year ended June 30, 2015, is as follows:

	Local Transportation Funds Allocated for Transit Operations	TSSSDRA	Other	Total
Beginning balance, July 1, 2014	\$ 10,076,314		\$ 346,289	\$ 10,422,603
LTF Allocations	2,212,176			2,212,176
Maximum LTF eligibility				
Operating	(3,267,389)			(3,267,389)
Capital	1,506,262			1,506,262
Unearned receipts		\$ 90,900	50,000	140,900
Ending balance, June 30, 2015	<u>\$ 10,527,363</u>	<u>\$ 90,900</u>	<u>\$ 396,289</u>	<u>\$ 11,014,552</u>

NOTE J – 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 \$19.25 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the 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.

As of June 30, 2015, the City’s status of the approved projects and respective grant amounts from the State’s PTMISEA account are listed in the tables below. The table below also disclose the amounts expended, received and unexpended for each approved project as of June 30:

Project Name	Fund	Grant Amount (includes earned interest)	Received Through June 30, 2015	Expended Through June 30, 2015	(Receivable) Unexpended at June 30, 2015
Dial-A-Ride and light fleet upgrade	440	\$ 117,259		\$ 76,772	\$ (76,772)
Bus replacement acquisition	440	1,515,437	\$1,515,437	1,515,437	-
Downtown transfer point reconstruction	441	365,369	\$ 365,369	333,866	31,503
		<u>\$1,998,065</u>	<u>\$1,880,806</u>	<u>\$1,926,075</u>	<u>\$ (45,269)</u>

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE K - TSSSDRA

As approved by the voters in the November 2006 general elections, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects. CalOES has been charged with administering the following Prop 1B Transit System Safety, Security & Disaster Response Account (TSSSDRA).

The remaining proceeds of \$90,900, including accrued interest, were restricted. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. As of June 30, 2015, funds received and expended were as follows:

Balance at beginning of year	
CalOES funds received	\$ 90,900
Interest earnings	<u> -</u>
Unexpended proceeds	<u><u> \$ 90,900</u></u>

NOTE L – RISK MANAGEMENT

The City manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks. The City maintains insurance coverage from a commercial carrier for its long-term disability and dental benefit plan.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City’s responsibility.

Risk Coverage

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to \$25,000,000, property damage up to \$300,000,000, and boiler and machinery up to \$20,000,000. The City has a self-insured retention or deductible of \$500,000, \$25,000, and \$5,000, respectively per claim. Once the City’s self-insured retention for general liability claims is met, CJPRMA becomes responsible for payment of all claims up to the limit. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims.

The City is also a member of the Local Agency Workers’ Compensation Excess Joint Powers Authority (LAWCX), which covers workers’ compensation claims up to \$1,500,000, and provides additional coverage up to \$24,000,000. The City has a self-insured retention of up to \$250,000 per claim.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015

NOTE L – RISK MANAGEMENT (Continued)

Financial Statements for the risk pools may be obtained from CJPRMA, 2333 San Ramon Valley Blvd., Suite 250, San Ramon, CA 94583 and LAWCX, c/o James P. Marta, CPA, 5921 Landis Avenue, Suite 1, Carmichael, CA 94608. Information regarding the City's risk management programs is available in the City of Roseville's comprehensive annual financial report.

NOTE M – CONCENTRATIONS

The Funds receive a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund and State Transit Assistance Fund created by the TDA. A significant reduction in the level of this support, if this was to occur, may have a significant impact on the Funds' activities.

NOTE N – CONTINGENCIES

The City receives funding from the Federal Transit Administration and the State of California that are subject to review and audit. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the contracts. It is the opinion of management that no material liabilities will result from such potential audits.

NOTE O – PENSION LIABILITY

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which require certain information to be disclosed for pension plans. The City's transit-type employees are included in the City's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan. Information is available about the City's pension plans in the City's Comprehensive Annual Financial Report. The actuarial valuation for the City's Miscellaneous Plan received from CalPERS does not separately disclose information that is required to be reported under GASB 68 and 71 for the Funds. The pension liability reported in the Funds represents a proportional share of the pension liability of the City's Miscellaneous Plan as a whole based on a proportional share of cash basis employer contributions paid on behalf of the Funds' employees compared to all non-Safety City employees. The total deferred outflows of resources, net pension liability, deferred inflows of resources and pension expense related to the Funds were \$187,355, \$1,960,569, \$276,853 and \$173,140, respectively, as of and for the year ended June 30, 2015. Pension expense was reported as part of operations expenses.

NOTE P – CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These Statements required the City to recognize the proportional share of the net pension liability, deferred outflows of resources and deferred inflows of resources related to the City's Miscellaneous agent multiple-employer pension plan. These Statements also required contributions made after the June 30, 2014 measurement date used in the actuarial valuation for the pension plan to be reported as deferred outflows of resources.

Due to the implementation of these Statements, the total deferred outflows of resources increased by \$173,357, total liabilities increased by \$2,237,639, and total net position decreased by \$2,064,282 as of July 1, 2014.

INDEPENDENT AUDITOR'S 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*, THE TRANSPORTATION
DEVELOPMENT ACT AND THE PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND
SERVICES ENHANCEMENT ACCOUNT (PTIMSEA) GUIDELINES

To the City Council
City of Roseville, California

We have audited, 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, the financial statements of the Transportation Development Act Funds (the Funds) allocated to the City of Roseville (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Funds' financial statements, and have issued our report thereon dated March 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be material weaknesses (Finding 2013/14-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated and received by the City were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6667 of the California Code of Regulations. We also tested the receipt and appropriate

To the City Council
City of Roseville, California

expenditures of bond funds, as presented in Note J to the financial statements, in accordance with the PTMISEA statutes and guidelines. 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the TDA, or the PTMISEA guidelines which is described in the accompanying schedule of findings and responses as item 2014/15-1 and 2013/14-1.

City of Roseville's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, the TDA and PTMISEA in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Richardson & Company, LLP

March 22, 2016

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

FINANCIAL REPORTING

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

FINDING 2013/14-1—Material Weakness

Criteria: Internal controls over financial reporting should be in place to ensure revenue is recorded in the correct period. In addition, the City should compare net position to the prior year financial statements to ensure all audit adjustments are posted so net position rolls forward.

Condition: The City records grant amounts as revenue in the period received rather than in the period the revenue is considered earned, and net position does not reflect all audit adjustments from the prior year.

Cause: The City was recording revenue in a manner that was consistent with cash-basis accounting and was not posting all audit adjustments from the prior year.

Status: The City continues to record revenues in a different fiscal year than expenses. We proposed a number of audit adjustments to record revenue in the proper period and in the proper fund. The City needs to ensure that grant revenue is accrued in the fiscal year that the underlying expenditures are incurred. The finance staff handling grants needs to ensure that the information related to grants available and related projects are communicated to the Finance Department accountants so that they can ensure that revenue is recorded in the proper fiscal year. The City needs to strengthen its controls over revenue recognition and timely billing of grant funds. The following items specifically need to be addressed by the City:

- The City needs to ensure that the Transportation Development Act (TDA) funds are recorded in the proper fund to correspond to the purpose for which the funds were claimed. We noted that the TDA funds allocated for transit purposes were incorrectly recorded in the Transportation Fund used to account for streets and roads projects, and the TDA funds allocated for non-transit purposes were incorrectly recorded in the Transit Fund. Also, once the revenues are claimed for transit purposes, they cannot be used for streets and roads or pedestrian and bicycle expenditures until the City submits an amended claim to PCTPA. We noted the City transferred \$3,450,000 from the Transit Fund to the Road Fund, but the transit funds were not reclaimed for streets and roads. The transfer was moved from the Transit Fund to the Transportation Fund, which has sufficient funds to make this transfer.
- All grant revenues are recorded as non-operating revenue. Grant revenues received for capital purposes need to be classified as capital revenues.
- Proceeds from the sale of assets were recorded in unearned revenue instead of being recognized when the sale took place.
- Expenditures were incurred for bus upgrades a couple of years ago that were to be funded with PTMISEA funds, but the City has still not invoiced PCPTPA for these funds.
- Expenditures were incurred for bus purchases in fiscal year 2013/14 but the related PTMISEA revenue was not claimed or recorded until fiscal year 2014/15.
- Claims for various grant funds including FTA, CMAQ, STIP and BTA were prepared during fiscal year 2014/15 that included expenditures dating back to 2009, but the revenues were not accrued in the fiscal year the expenditures were incurred. Claims need to be submitted on a timely basis and revenue needs to be accrued in the same fiscal year that the underlying expenditures were incurred.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

June 30, 2015

COMPLIANCE

CURRENT YEAR FINDINGS

FINDING 2014/15-1

Criteria: Local Transportation Funds claimed for transit purposes are required to be used for transit related expenditures according to California P.U.C Section 99260.

Condition: The City transferred \$3,450,000 to its Road Fund for street resurfacing and transferred \$265,000 to its Transportation Fund for pedestrian and bicycle project expenditures.

Effect: The City is not in compliance with P.U.C Section 99260.

Cause: The City transferred funds out of its Transit Fund for street and pedestrian projects without re-claiming those funds through PCTPA under P.U.C. Section 99400 for Streets and Roads.

PRIOR YEAR FINDINGS

FINDING 2013/14-2

Criteria: The City's annual Transit Operator Report and its annual Streets and Roads Report are required to be filed with the California State Controller's Office within 90 days of year-end (110 days after year-end if filed electronically) each year according to California P.U.C Sections 99243 and 99406.

Condition: The City did not file within 110 days of the fiscal year ended June 30, 2014.

Effect: The City is not in compliance with P.U.C Section 99243 and 99406.

Cause: The City did not prepare the annual Transit Operator Report or the annual Streets and Roads Report by the filing deadline.

Status: The Transit Operator Report and Streets and Roads Report for the fiscal year ended June 30, 2015 was not filed within the required 110 days.