

**CITY OF ROCKLIN**  
**TRANSPORTATION DEVELOPMENT ACT FUNDS**

Audited Financial Statements  
and Compliance Report

June 30, 2016



CITY OF ROCKLIN

TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements  
and Compliance Report

June 30, 2016

Audited Financial Statements

Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	3
Balance Sheets .....	5
Statements of Revenues, Expenditures and Changes in Fund Balances .....	7
Notes to Financial Statements .....	9

Compliance Report

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 <i>Government Auditing Standards</i> , the Transportation Development Act and the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA) and Transit System Safety, Security and Disaster Response Account (TSSSDRA) Guidelines.....	12
---	----



550 Howe Avenue, Suite 210  
Sacramento, California 95825  
Telephone: (916) 564-8727  
FAX: (916) 564-8728

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Rocklin, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Transportation Development Act funds allocated to the City of Rocklin (the Funds), as of and for year ended June 30, 2016, 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 allocated to the City of Rocklin as of June 30, 2016, and the changes in financial position 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 Rocklin, California

**Emphasis-of-Matter**

As discussed in Note B, the financial statements present only the Transportation Development Act funds allocated to the City of Rocklin and do not purport to, and do not, present fairly the financial position of the City of Rocklin as of June 30, 2016, and the changes in financial position 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2017 on our consideration of the City's internal control over financial reporting related to the Funds 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 the Public Transportation Modernization Improvement and Services Enhancement Account 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 23, 2017

**INTRODUCTION**

The Management's Discussion and Analysis (MD&A) is a required component of the City's Transportation Development Act (TDA) Funds Annual Financial Report. The purpose of the MD&A is to present a discussion and analysis of the Funds' financial performance during the fiscal year that ended on June 30, 2016. This information, presented in conjunction with the Funds' Financial Statements is intended to provide a comprehensive understanding of the Funds' operations and financial standing.

**FISCAL YEAR 2015/2016 FINANCIAL HIGHLIGHTS**

- Total Funds' Revenues were \$1,108,593, while Total Funds' Expenditures were \$2,548,113 and Transfers out were \$288,589, resulting in a Net Decrease in Total Funds' Balance of \$1,728,109. This decrease was \$711,667 larger than the prior year. This decrease was due to a delay in receiving \$2,871,933 of the allocated 2015-2016 Local Transportation Funds (LTF); partially offset by higher Transit Revenue and fewer capital projects.
- Total Funds' Assets were \$5,893,255, consisting of Cash and Due from other agencies. The Assets increased from the prior year as a result of the LTF funding claim for 2015-2016.
- Total Funds' Liabilities of \$1,188,781 increased \$230,374 over prior year. The increase was a result of project timing which caused a higher Accounts Payable balance at year end. Liabilities are made up of Accounts Payable, Accrued salaries and benefits, and Due to City's General Fund.
- Total Funds' Deferred Inflows were \$3,019,822, which increased \$2,806,109 from the prior year. These Deferred Inflows are revenue resources earned but not received until after the 60 day period of availability. The increase was due to the 2015-2016 LTF payment being received after the period of availability for 2015-2016.
- Total Fund's Balance is \$1,684,652 which is restricted for transportation. The Total Fund's Balance has decreased from prior year due to deferred inflows. The Deferred Inflow consists of \$2,871,933 from LTF, \$49,430 from Bicycle Pedestrian fund, and \$98,459 from Prop 1B PTMISEA for the Front Street Project.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The City's TDA Funds Financial Statements are comprised of Fund Financial Statements and Notes to the Financial Statements.

**Fund Financial Statements**

*Fund Financial Statements* report the Funds' operations with the focus primarily on the short-term activities of the City's Transportation Development Act funds. The Funds' Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**NOTES TO THE FINANCIAL STATEMENTS**

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the funds' financial statements. The notes can be found immediately following the funds' financial statements.

**REQUEST FOR FINANCIAL INFORMATION**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the City Clerk, 3970 Rocklin Road, Rocklin, California, 95677.

CITY OF ROCKLIN  
TRANSPORTATION DEVELOPMENT ACT FUNDS

BALANCE SHEETS

June 30, 2016

	Transit Fund	Transportation Fund	Bicycle and Pedestrian Facilities Fund
<b>ASSETS</b>			
Cash and investments		\$ 2,047,042	
Due from other agencies	\$ 613,657	3,070,841	\$ 49,430
<b>TOTAL ASSETS</b>	<b>\$ 613,657</b>	<b>\$ 5,117,883</b>	<b>\$ 49,430</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 153,419	\$ 403,233	
Retention payable			
Accrued salaries and benefits		10,172	
Due to City's General Fund	460,242		\$ 49,430
<b>TOTAL LIABILITIES</b>	<b>613,661</b>	<b>413,405</b>	<b>49,430</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue		2,871,933	49,430
 <b>FUND BALANCES</b>			
Restricted for transportation projects		1,832,545	
Deficit	(4)		(49,430)
<b>TOTAL FUND BALANCES</b>	<b>(4)</b>	<b>1,832,545</b>	<b>(49,430)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 613,657</b>	<b>\$ 5,117,883</b>	<b>\$ 49,430</b>

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



Prop 1B TSSSDRA Fund	Prop 1B PTMISEA Fund	Total
		\$ 2,047,042
	\$ 112,285	3,846,213
\$ -	\$ 112,285	\$ 5,893,255
	\$ 55,871	\$ 612,523
	4,544	4,544
		10,172
	51,870	561,542
	112,285	1,188,781
	98,459	3,019,822
		1,832,545
	(98,459)	(147,893)
	(98,459)	1,684,652
\$ -	\$ 112,285	\$ 5,893,255

CITY OF ROCKLIN  
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2016

	Transit Fund	Transportation Fund	Bicycle and Pedestrian Facilities Fund
<b>REVENUES</b>			
Local Transportation Funds:			
Transit	\$ 398,327		
Streets and roads		\$ 198,908	
State Transit Assistance	429,043		
Interest revenues		16,082	
Intergovernmental revenue		26,088	
TOTAL REVENUES	827,370	241,078	
<b>EXPENDITURES</b>			
Purchased transit	613,661		
Bicycle and pedestrian			\$ 49,430
Streets and roads:			
Administration and Engineering		370,574	
Maintenance		710,491	
Construction		662,571	
TOTAL EXPENDITURES	613,661	1,743,636	49,430
<b>OTHER FINANCING USES</b>			
Transfers out		(288,589)	
TOTAL OTHER FINANCING USES		(288,589)	
CHANGES IN FUND BALANCES	213,709	(1,791,147)	(49,430)
Fund balance, beginning of the year	(213,713)	3,623,692	
FUND BALANCES, END OF THE YEAR	\$ (4)	\$ 1,832,545	\$ (49,430)

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

Prop 1B TSSSDRA Fund	Prop 1B PTMISEA Fund	Total
		\$ 398,327
		198,908
		429,043
		16,082
\$ 40,145		66,233
<u>40,145</u>		<u>1,108,593</u>
		613,661
		49,430
		370,574
		710,491
42,927	\$ 98,459	803,957
<u>42,927</u>	<u>98,459</u>	<u>2,548,113</u>
		<u>(288,589)</u>
		<u>(288,589)</u>
(2,782)	(98,459)	(1,728,109)
<u>2,782</u>		<u>3,412,761</u>
<u>\$ -</u>	<u>\$ (98,459)</u>	<u>\$ 1,684,652</u>

CITY OF ROCKLIN  
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – ORGANIZATION

The City of Rocklin (the City) receives funds under the provisions of the Transportation Development Act (TDA) from the Placer County Local Transportation Fund (LTF) under Article 8, Section 99400(a) and 99400(c) and Article 3, Section 99234, and the State Transit Assistance Fund under Article 4, Section 6731(b). The funds represent amounts needed to meet the transportation needs of the City not otherwise met. The STAF Funds are to be used for public transit purposes only.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Transportation Development Act Funds of the City of Rocklin (the Funds) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board 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 and results of operations of only those transactions recorded in the Funds. The Funds are included in the financial statements of the City.

Fund Accounting: The accounts of the City 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 special revenue fund type of the governmental fund group to account for the activities of the Funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following funds are used by the City to account for its TDA and Proposition 1B funds:

SB 325 Sales Tax Funds:

Transit Fund: The Transit Fund is used to account for the payments to Placer County to provide transit services within the City’s jurisdiction.

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

Bicycle and Pedestrian Facilities Fund: The Bicycle and Pedestrian Facilities Fund accounts for the expenditure of Local Transportation Funds which have been allocated for the purpose of bicycle and pedestrian facilities.

Prop 1B Funds:

PTMISEA and TSSSDRA Funds: The Prop 1B Funds account for revenues received through Proposition 1B for street programs.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by special revenue funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is

CITY OF ROCKLIN  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

generally 60 days for the Transit and Transportation Funds. TDA Funds are recognized when all eligibility requirements have been met and the amounts are received within 60 days for the Transit and Transportation Funds, and 60 days for the Bicycle and Pedestrian Facilities and Prop 1B Funds. Revenues that do not meet this availability period are recorded as deferred inflows of resources. Expenditures are recorded when the related fund liability is incurred.

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.

Fund Balance: Restrictions of fund balance represent amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. The restrictions of fund balance are according to the provisions of the Transportation Development Act and the purpose of each restriction is indicated by the account title on the face of the balance sheets.

NOTE C – CASH AND INVESTMENTS

The Funds' cash is held in the City of Rocklin's investment pool. The City maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the City's investment pool are available on demand to the Funds 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 – FARE REVENUE RATIO

Transit operators are required to maintain a fare revenue to operating expenses ratio in order to be eligible for TDA funding. Since the City contracts with Placer County Transit for its transit services, no fare revenues are recorded in the City of Rocklin's Transit Fund financial statements. A fare revenue ratio is calculated for Placer County in the Placer County Transit audited financial statements.

NOTE E – TRANSFERS

In 2016, the City transferred \$288,589 from the Transportation Fund to the City's General Fund for street and road projects.

NOTE F – PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (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 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.

CITY OF ROCKLIN  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE F – PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) (Continued)

During the year ended June 30, 2016, the City received no money from the State PTMISEA account through the Placer County Transportation Planning Agency for the Rocklin Front Street Park-and-Ride Lot Expansion Project. As of June 30, 2016, funds received and expended were verified in the course of the audit as follows:

Receivable balance at June 30, 2015	\$ 80,543
Transfer of expenses to be paid by other funding sources	(66,717)
Expenses incurred	<u>98,459</u>
Receivable balance at June 30, 2016	<u><u>\$ 112,285</u></u>

NOTE G – TRANSIT SYSTEM SAFETY, SECURITY AND DISASTER RESPONSE ACCOUNT (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 Prop 1B Transit System Safety, Security & Disaster Response Account (TSSSDRA).

During the year ended June 30, 2016, the City received \$40,145 from the State TSSSDRA account through the Placer County Transportation Planning Agency for the Rocklin Multi-Modal Passenger Shelters/Bus Stop Safety & Security Improvements Project. As of June 30, 2016, funds received and expended were verified in the course of the audit as follows:

Receivable balance at June 30, 2015	
TSSSDRA received	\$ 40,145
Expenses incurred	<u>(40,145)</u>
Receivable balance at June 30, 2016	<u><u>\$ -</u></u>

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  
SERVICE ENHANCEMENT ACCOUNT (PTMISEA) AND TRANSIT SYSTEM SAFETY, SECURITY AND  
DISASTER RESPONSE ACCOUNT (TSSSDRA) GUIDELINES

To the City Council  
City of Rocklin, 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 allocated to the City of Rocklin (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 23, 2017.

**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 the City'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 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.

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 a material weakness. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters (including PTMISEA and TSSSDRA)**

As part of obtaining reasonable assurance about whether the City'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. 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 Sections 6666 and 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of bond funds, as presented in Note F and Note G of the financial statements, in

To the City Council  
City of Rocklin, California

accordance with the PTMISEA and TSSSDRA 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the TDA or the PTMISEA and TSSSDRA.

**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, PTMISEA and TSSSDRA in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Richardson & Company, LLP*

March 23, 2017