

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUND

Audited Financial Statements
and Compliance Report

June 30, 2016

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CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUND

Audited Financial Statements
and Compliance Report

June 30, 2016

Audited Financial Statements

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Compliance Report

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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, 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 of the City of Roseville as of June 30, 2016, 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, 2016, 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.

Other Matters

Prior Year Comparative Information

We have previously audited the TDA Fund financial statements dated March 22, 2016. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 February 27, 2017 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

February 27, 2017

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENTS OF NET POSITION

June 30, 2016
(With Comparative Totals as of June 30, 2015)

	Transit Fund	Transportation Fund	Transit Project Fund
ASSETS			
CURRENT ASSETS			
Cash and cash investments	\$ 8,448,396	\$ 5,825	\$ 162,689
Accounts receivable	26,205	1,140	8,627
Due from other agencies	3,072,461	6,003,617	
Interest receivable	14,900	4,953	318
Due from other funds	1,677,120	2,500,000	
TOTAL CURRENT ASSETS	13,239,082	8,515,535	171,634
NONCURRENT ASSETS			
Capital assets, nondepreciable	1,462,249	2,478,691	
Capital assets, depreciable, net	5,953,700	5,914,408	
TOTAL NONCURRENT ASSETS	7,415,949	8,393,099	
TOTAL ASSETS	20,655,031	16,908,634	171,634
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	101,153	97,909	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 20,756,184	\$ 17,006,543	\$ 171,634
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 73,106	\$ 45,086	
Accrued salaries and benefits	44,166	32,575	
Due to other funds	2,500,000	1,677,120	
Compensated absences	35,816	41,658	
Unearned revenue	9,247,670	5,671,557	
TOTAL CURRENT LIABILITIES	11,900,758	7,467,996	
NONCURRENT LIABILITIES			
Compensated absences	83,539	79,075	
Net pension liability	989,947	1,001,131	
NONCURRENT LIABILITIES	1,073,486	1,080,206	
TOTAL LIABILITIES	12,974,244	8,548,202	
DEFERRED INFLOWS OF RESOURCES			
Pensions	60,450	65,242	
NET POSITION			
Net investment in capital assets	7,415,949	8,393,099	
Restricted for Local Transportation	305,541		\$ 171,634
Restricted for PTMISEA projects			
Deficit			
TOTAL NET POSITION	7,721,490	8,393,099	171,634
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 20,756,184	\$ 17,006,543	\$ 171,634

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

CTSA Call Center	Totals	
	2016	2015
\$ 877,201	\$ 9,494,111	\$ 13,327,536
	35,972	37,129
33,749	9,109,827	474,570
1,997	22,168	21,898
	4,177,120	3,715,000
<u>912,947</u>	<u>22,839,198</u>	<u>17,576,133</u>
	3,940,940	3,658,094
258,958	12,127,066	12,481,573
<u>258,958</u>	<u>16,068,006</u>	<u>16,139,667</u>
1,171,905	38,907,204	33,715,800
<u>9,217</u>	<u>208,279</u>	<u>187,355</u>
<u>\$ 1,181,122</u>	<u>\$ 39,115,483</u>	<u>\$ 33,903,155</u>
\$ 25,078	\$ 143,270	\$ 501,093
3,111	79,852	43,416
	4,177,120	3,715,000
3,470	80,944	69,188
19,729	14,938,956	11,014,552
<u>51,388</u>	<u>19,420,142</u>	<u>15,343,249</u>
709	163,323	145,304
87,870	2,078,948	1,960,569
<u>88,579</u>	<u>2,242,271</u>	<u>2,105,873</u>
139,967	21,662,413	17,449,122
<u>5,616</u>	<u>131,308</u>	<u>276,853</u>
258,958	16,068,006	16,139,667
776,581	1,253,756	1,211,136
		31,503
		(1,205,126)
<u>1,035,539</u>	<u>17,321,762</u>	<u>16,177,180</u>
<u>\$ 1,181,122</u>	<u>\$ 39,115,483</u>	<u>\$ 33,903,155</u>

CITY OF ROSEVILLE

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2016
(With Comparative Totals as of June 30, 2015)

	Transit Fund	Transportation Fund	Transit Project Fund
OPERATING REVENUES			
Passenger fares	\$ 1,009,063		
TOTAL OPERATING REVENUES	<u>1,009,063</u>		
OPERATING EXPENSES			
Salaries and benefits	537,862	\$ 573,771	
Purchased transportation	3,413,575		
Maintenance, materials and supplies	1,205,271	276,211	
Depreciation	1,307,514	315,890	
TOTAL OPERATING EXPENSES	<u>6,464,222</u>	<u>1,165,872</u>	
OPERATING LOSS	(5,455,159)	(1,165,872)	
NONOPERATING REVENUES (EXPENSES)			
Local Transportation Funds - operating	2,258,158	2,205,134	
State Transit Assistance Funds	503,199		
Federal and state grants - operating	1,299,288	35,875	
Interest revenues	84,545	25,660	\$ 1,532
Gain(loss) on sale of capital assets	6,160		
Other revenues	94,715	9,378	36,273
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>4,246,065</u>	<u>2,276,047</u>	<u>37,805</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,209,094)	1,110,175	37,805
Local Transportation Funds - capital	179,868	1,182,107	
Federal and state grants - capital	10,748	195,172	
Transfer in from other City funds	152,580		
Transfer out to other City funds	(244,841)	(252,438)	(1,344)
CHANGE IN NET POSITION	(1,110,739)	2,235,016	36,461
Net position, beginning of year	8,832,229	6,158,083	135,173
NET POSITION, END OF YEAR	<u>\$ 7,721,490</u>	<u>\$ 8,393,099</u>	<u>\$ 171,634</u>

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

CTSA Call Center	Totals	
	2016	2015
	\$ 1,009,063	\$ 1,035,368
	<u>1,009,063</u>	<u>1,035,368</u>
\$ 57,114	1,168,747	1,089,958
	3,413,575	3,343,169
299,689	1,781,171	2,312,857
16,156	1,639,560	2,170,604
<u>372,959</u>	<u>8,003,053</u>	<u>8,916,588</u>
(372,959)	(6,993,990)	(7,881,220)
280,271	4,743,563	6,367,708
	503,199	502,826
46,729	1,381,892	450,431
9,758	121,495	72,475
	6,160	(99,312)
<u>30,000</u>	<u>170,366</u>	<u>236,626</u>
<u>366,758</u>	<u>6,926,675</u>	<u>7,530,754</u>
(6,201)	(67,315)	(350,466)
	1,361,975	
	205,920	2,686,614
	152,580	44,482
<u>(9,955)</u>	<u>(508,578)</u>	<u>(3,919,174)</u>
(16,156)	1,144,582	(1,538,544)
<u>1,051,695</u>	<u>16,177,180</u>	<u>17,715,724</u>
<u>\$ 1,035,539</u>	<u>\$ 17,321,762</u>	<u>\$ 16,177,180</u>

CITY OF ROSEVILLE

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2016
(With Comparative Totals as of June 30, 2015)

	Transit Fund	Transportation Fund	Transit Project Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,009,063		
Payments to employees and related benefits	(514,603)	\$ (421,798)	
Payments to suppliers	(4,809,822)	(578,435)	
NET CASH USED BY OPERATING ACTIVITIES	(4,315,362)	(1,000,233)	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating grants and other revenues	875,500	3,341	\$ 37,469
Interfund borrowings	2,037,880	(2,037,880)	
Transfers in	152,580		
Transfers out	(244,841)	(252,438)	(1,344)
NET CASH PROVIDED (USED) BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	2,821,119	(2,286,977)	36,125
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants	1,298,909	1,070,012	
Purchases of capital assets	(190,616)	(1,377,283)	
Proceeds from sale of capital assets	6,160		
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	1,114,453	(307,271)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings on investments	86,464	23,877	1,458
NET CASH PROVIDED BY INVESTING ACTIVITIES	86,464	23,877	1,458
NET INCREASE IN CASH AND CASH EQUIVALENTS	(293,326)	(3,570,604)	37,583
Cash and cash equivalents, beginning of year	8,741,722	3,576,429	125,106
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,448,396	\$ 5,825	\$ 162,689

CTSA Call Center	Totals	
	2016	2015
	\$ 1,009,063	\$ 1,035,368
\$ (320,949)	(1,257,350)	(1,413,508)
(57,588)	(5,445,845)	(5,181,737)
(378,537)	(5,694,132)	(5,559,877)
371,988	1,288,298	9,572,677
	-	
	152,580	44,482
(9,955)	(508,578)	(3,919,174)
362,033	932,300	5,697,985
	2,368,921	3,678,886
	(1,567,899)	(1,711,462)
	6,160	460,534
	807,182	2,427,958
9,426	121,225	73,806
9,426	121,225	73,806
(7,078)	(3,833,425)	2,639,872
884,279	13,327,536	10,687,664
\$ 877,201	\$ 9,494,111	\$ 13,327,536

CITY OF ROSEVILLE

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF CASH FLOWS (Continued)

For the Year Ended June 30, 2016
 (With Comparative Totals as of June 30, 2015)

	Transit Fund	Transportation Fund	Transit Project Fund
RECONCILIATION OF OPERATING LOSS			
TO NET CASH PROVIDED (USED) BY			
OPERATING ACTIVITIES			
Operating loss	\$ (5,455,159)	\$ (1,165,872)	
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation	1,307,514	315,890	
Change in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Deferred outflows/inflows of resources	(82,585)	(76,602)	
Accounts payable	(190,976)	(145,587)	
Accrued salaries	24,171	11,196	
Compensated absences payable	22,166	6,666	
Net pension liability	59,507	54,076	
	<u>59,507</u>	<u>54,076</u>	
NET CASH USED BY			
OPERATING ACTIVITIES	<u>\$ (4,315,362)</u>	<u>\$ (1,000,233)</u>	<u>\$ -</u>

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

CTSA Call Center	Totals	
	2016	2015
\$ (372,959)	\$ (6,993,990)	\$ (7,881,220)
16,156	1,639,560	2,170,604
(7,282)	(166,469)	262,855
(21,260)	(357,823)	141,600
1,069	36,436	(805)
943	29,775	24,159
4,796	118,379	(277,070)
<u>\$ (378,537)</u>	<u>\$ (5,694,132)</u>	<u>\$ (5,559,877)</u>

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016

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 estimated useful lives of the assets and capitalization thresholds are listed below:

	Useful Lives	Capitalization Thresholds
Buildings & Improvements	20-40 years	No threshold
Equipment	3-12 years	\$ 5,000
Transit vehicles	5-10 years	No threshold
Bike paths	20 years	No threshold
Bridges	90 years	No threshold
Culverts	75 years	No threshold
Sidewalks	20 years	No threshold
Drain inlets	50 years	No threshold
Storm drains	75 years	No threshold

The Funds have acquired certain assets with funding provided by federal and state assistance from various grant programs. The Funds hold 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. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2016, the Funds have deferred outflows of resources related to employer pension contributions and deferred inflows of resources related to changes in assumptions and the net difference between projected and actual earning on pension plan investments, as described in Note P.

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, 2016:

Federal Transit Administration grants	\$ 918,570
Local Transportation Funds	7,582,486
State Transit Assistance	503,199
Other	<u>105,572</u>
Total due from other governmental agencies	<u>\$ 9,109,827</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, 2016, there was an interfund due to and due from balance of \$1,677,120 from the Transportation Fund to the Transit Fund to cover the cash deficit in the Transportation Fund. Additionally, there was an interfund due to and due from balance of \$2,500,000 from the Transit Fund to transfer money repurposed from Transit purposes to Streets and Roads purposes. The transfers in to the Transit Fund consisted of \$98,618 from the Roadway Fund for the Sierra Gardens Transfer Point Improvement Project, and \$53,962 from the Municipal Services District #3. Significant transfers out in the Transit Fund consisted of \$233,287 to the General Fund for indirect costs. Significant transfers out in the Transportation Fund consisted of \$130,514 to the Public Facilities Fund for the Downtown Pedestrian Bridge Project and \$107,483 to the General Fund for indirect costs. Transfers out in the Transit Project Fund consisted of \$1,344 to the CIP Rehabilitation Fund Public Facilities Fund for a painting project. Transfers out in the CTSA Call Center Fund consisted of \$9,955 to the General Fund for indirect costs.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE F – CAPITAL ASSETS

Capital asset activity consisted of the following for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Capital assets, not being depreciated					
Land	\$ 828,234				\$ 828,234
Easements	41,599				41,599
Infrastructure (modified)	51,757				51,757
Construction in progress	2,736,504	\$ 1,567,899		\$ (1,285,053)	3,019,350
Total capital assets, not being depreciated	<u>3,658,094</u>	<u>1,567,899</u>	<u>-</u>	<u>(1,285,053)</u>	<u>3,940,940</u>
Capital assets being depreciated					
Buildings and improvements	2,095,315		\$ (4,085)	9,999	2,101,229
Equipment	2,135,299				2,135,299
Vehicles	12,807,987		(42,258)		12,765,729
Bike paths	4,480,497			904,958	5,385,455
Bridges	1,702,403				1,702,403
Culverts	356,961				356,961
Sidewalks	120,148			343,847	463,995
Drain inlets	24,662			5,201	29,863
Storm drains	38,069			21,048	59,117
Total capital assets, being depreciated	<u>23,761,341</u>	<u>-</u>	<u>(46,343)</u>	<u>1,285,053</u>	<u>25,000,051</u>
Less accumulated depreciation for:					
Buildings and improvements	(922,158)	(67,375)	4,085		(985,448)
Equipment	(1,175,691)	(246,577)			(1,422,268)
Vehicles	(7,363,581)	(1,024,244)	42,258		(8,345,567)
Bike paths	(1,631,597)	(244,314)			(1,875,911)
Bridges	(122,951)	(18,916)			(141,867)
Culverts	(30,412)	(4,760)			(35,172)
Sidewalks	(23,365)	(31,796)			(55,161)
Drain inlets	(4,836)	(649)			(5,485)
Storm drains	(5,177)	(929)			(6,106)
Total accumulated depreciation	<u>(11,279,768)</u>	<u>(1,639,560)</u>	<u>46,343</u>	<u>-</u>	<u>(12,872,985)</u>
Net capital assets being depreciated	<u>12,481,573</u>	<u>(1,639,560)</u>	<u>-</u>	<u>1,285,053</u>	<u>12,127,066</u>
Total capital assets, net	<u>\$ 16,139,667</u>	<u>\$ (71,661)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,068,006</u>

NOTE G – LONG-TERM LIABILITIES

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

	Balance June 30, 2015	Additions	Used	Balance June 30, 2016	Due Within One Year
Compensated absences	\$ 214,492	\$ 66,190	\$ 36,415	\$ 244,267	\$ 80,944
Net pension liability	1,960,569	118,379		2,078,948	
	<u>\$ 2,175,061</u>	<u>\$ 184,569</u>	<u>\$ 36,415</u>	<u>\$ 2,323,215</u>	<u>\$ 80,944</u>

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

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, 2016, is as follows:

Passenger fare revenues (excludes charter revenues)	\$ 1,009,063
Local support - advertising	96,902
Local support - cash transfers in	53,962
	<u>\$ 1,159,927</u>
Operating expenses	\$ 6,464,222
Less allowable exclusions:	
Depreciation	<u>(1,307,514)</u>
	<u>\$ 5,156,708</u>
Fare revenue ratio	<u>22.49%</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, 2016, was determined as follows:

	Transit Fund	Transportation Fund	CTSA Call Center
Operating expenses	\$ 6,464,222	\$ 1,165,872	\$ 372,959
Adjustments:			
Depreciation	(1,307,514)	(315,890)	(16,156)
Fare box revenues	(1,009,063)		
State Transit Assistance revenue	(503,199)		
Grant revenue	(1,299,288)	(35,875)	(46,729)
Interest revenues	(84,545)	(25,660)	(9,758)
Other revenues	(94,715)	(9,378)	(30,000)
Net transfers	92,261	252,438	9,955
Adjustment for prior year deficit		1,173,625	
	<u>\$ 2,258,159</u>	<u>\$ 2,205,132</u>	<u>\$ 280,271</u>
Capital expenditures	\$ 190,615	\$ 1,377,281	
Adjustments:			
Pedestrian and bikeway revenue		(847,190)	
Grant revenue	(10,748)	(195,172)	
	<u>\$ 179,867</u>	<u>\$ 334,919</u>	<u>\$ -</u>

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

June 30, 2016

NOTE I – UNEARNED REVENUE (Continued)

A schedule of changes in unearned revenue for the year ended June 30, 2016, is as follows:

	Transit Fund					Total
	Local Transportation Funds	PTMISEA	TSSSDRA	LCTOP	Other	
Beginning balance, July 1, 2015	\$ 10,527,363		\$ 90,900		\$ 396,289	\$ 11,014,552
LTF Allocations	1,691,760					1,691,760
Maximum LTF eligibility						
Operating	(2,258,159)					(2,258,159)
Capital	(179,867)					(179,867)
Unearned receipts		\$ 1,085,117	80,081	\$ 207,686	133,711	1,506,595
Other	(27,211)					(27,211)
LTF Allocations reclaimed from Transit use to Transportation use	(2,500,000)					(2,500,000)
Ending balance, June 30, 2016	<u>\$ 7,253,886</u>	<u>\$ 1,085,117</u>	<u>\$ 170,981</u>	<u>\$ 207,686</u>	<u>\$ 530,000</u>	<u>\$ 9,247,670</u>

	Transportation Fund		CTSA Call Center	
	Local Transportation Funds	PTMISEA	Total	Local Transportation Funds
Beginning balance, July 1, 2015				
LTF Allocations	\$ 5,677,933		\$ 5,677,933	\$ 300,000
Maximum LTF eligibility				
Operating	(2,205,132)		(2,205,132)	(280,271)
Capital	(334,919)		(334,919)	
Unearned receipts		\$ 33,675	33,675	
LTF Allocations reclaimed from Transit use to Transportation use	2,500,000		2,500,000	
Ending balance, June 30, 2016	<u>\$ 5,637,882</u>	<u>\$ 33,675</u>	<u>\$ 5,671,557</u>	<u>\$ 19,729</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, 2016, the City's status of the approved projects and respective grant amounts from the State's PTMISEA account are listed in the table below. The table below also discloses the amounts expended, received and unexpended for each approved project as of June 30:

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

June 30, 2016

NOTE J – PTMISEA

Project Name	Fund	Grant Amount (includes earned interest)	Received Through June 30, 2016	Expended Through June 30, 2016	(Receivable) Unexpended at June 30, 2016
Dial-A-Ride and light fleet upgrade	Transit	\$ 117,649	\$ 76,772	\$ 85,606	\$ (8,834)
Bus replacement acquisition	Transit	1,085,117	1,085,117		1,085,117
Downtown transfer point reconstruction	Transportation	<u>367,541</u>	<u>365,369</u>	<u>333,866</u>	<u>33,675</u>
		<u>\$1,570,307</u>	<u>\$1,527,258</u>	<u>\$ 419,472</u>	<u>\$ 1,109,958</u>

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 \$170,981 reflected as unearned revenue, including accrued interest, were restricted. \$90,900 is for transit facility exterior security and lighting and \$80,081 is for bus stop safety and security improvements. 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, 2016, funds received and expended were as follows:

Balance at beginning of year	\$ 90,900
CalOES funds received	<u>80,081</u>
Unexpended proceeds	<u>\$ 170,981</u>

NOTE L – LCTOP

The Low Carbon Transit Operations Program (LCTOP) was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants. Projects approved for LCTOP will support bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions.

The City received \$207,686 of LCTOP funds during the year ended June 30, 2016, of which \$45,465 is for the Louis/Orlando Transfer Center and fixed route service enhancements and \$162,221 is for Route S service expansion. No amounts were expended as of June 30, 2016.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE M – 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 \$40,000,000, property damage up to \$300,000,000, and boiler and machinery up to \$21,250,000. 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 \$5,000,000, and has excess coverage through CSAC-EIA up to the statutory limit. The City has a self-insured retention of up to \$350,000 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.

Financial Statements for the risk pools may be obtained from CJPRMA, 3201 Doolan Road, Suite 285, Livermore, California 94551 and LAWCX, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833. Information regarding the City's risk management programs is available in the City of Roseville's comprehensive annual financial report.

NOTE N – 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 O – 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.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE P – 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 the City's Miscellaneous Plan employees. As of and for the year ended June 30, 2016, the deferred outflows of resources, net pension liability, deferred inflows of resources and pension expense related to the Funds were \$208,279, \$2,078,948, \$131,308 and \$160,190, respectively. As of and for the year ended June 30, 2015, 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. Pension expense was reported as part of operations expenses.

NOTE Q – CHANGE IN ACCOUNTING METHOD

The City changed its method of accounting for unexpended Local Transportation Funds allocated for streets and roads. Prior to the year ended June 30, 2016, these revenues were recognized in the year they were allocated to the City and unexpended amounts were reflected as restricted net position or as a net position deficit if expenditures exceeded revenues. Starting the year ended June 30, 2016, the City recorded unexpended amounts as unearned revenue and the June 30, 2015 net position deficit of \$1,173,625 was applied against the fiscal year 2015/16 allocations to arrive at the unearned revenue balance.

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 (PTMISEA) 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, 2016, and the related notes to the financial statements, which collectively comprise the Funds' financial statements, and have issued our report thereon dated February 27, 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 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 in 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

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

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

February 27, 2017

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

SCHEDULE OF PRIOR YEAR FINDINGS

June 30, 2016

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 has made the necessary improvements to ensure revenue is recognized in the proper period and that prior audit adjustments are properly reflected in the City's accounting system. TDA funds were properly recorded in the proper funds. Proceeds from the sale of assets were properly recorded. The City properly invoiced PCTPA for bus upgrades supported by PTMISEA funds. Finally, PTMISEA revenue was properly claimed and recorded in the period expenditures were incurred. This finding has been resolved.

COMPLIANCE

PRIOR 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.

Status: The City properly re-claimed funds for Streets and Roads purposes in the current year and is in compliance with P.U.C. 99260.

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 years ended June 30, 2015 and 2014.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

June 30, 2016

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, 2016 was properly filed within the required 110 days.