

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2017

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2017

Audited Financial Statements

Independent Auditor’s Report	1
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance.....	4
Notes to Financial Statements	5

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 Services Enhancement Account (PTMISEA) Guidelines.....	10
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INDEPENDENT AUDITOR'S REPORT

To the City Council
Auburn, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Funds allocated to the City of Auburn, as of and for the year ended June 30, 2017, 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 Auburn as of June 30, 2017, 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
Auburn, California

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the Transportation Development Act Funds of the City of Auburn and do not purport to, and do not, present fairly the financial position of the City of Auburn as of June 30, 2017, 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

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 28, 2018 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 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 28, 2018

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS
BALANCE SHEETS

June 30, 2017

	Transportation Fund	Transit Fund
ASSETS		
Due from other agencies	\$ 154,193	\$ 68,989
Prepaid expenses		5,986
TOTAL ASSETS	\$ 154,193	\$ 74,975
 LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 1,860	\$ 6,344
Unearned revenue		58,330
Due to other funds	93,245	111,386
TOTAL LIABILITIES	95,105	176,060
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	154,193	-
 FUND BALANCE		
Unassigned (deficit)	(95,105)	(101,085)
TOTAL FUND BALANCE	(95,105)	(101,085)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 154,193	\$ 74,975

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

CITY OF AUBURN

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2017

	Transportation Fund	Transit Fund
REVENUES		
Local Transportation Funds:		
Streets and roads	\$ 444,312	
Transit		\$ 421,690
State Transit Assistance		34,466
Proposition 1B revenue		23,755
Other federal, state and local grants		162,751
Fares		24,317
Other operating revenues		5,320
Investment income	246	119
TOTAL REVENUES	<u>444,558</u>	<u>672,418</u>
EXPENDITURES		
Streets and roads projects	962,486	
Maintenance, materials and supplies	2,678	53,728
Insurance	2,211	31,458
Salaries and benefits	3,250	477,577
Fuel		22,145
Capital outlay		27,045
TOTAL EXPENDITURES	<u>970,625</u>	<u>611,953</u>
OTHER FINANCING USES		
Transfers in	803,971	16,000
Transfers out		(23,000)
TOTAL OTHER FINANCING USES	<u>803,971</u>	<u>(7,000)</u>
CHANGES IN FUND BALANCE	277,904	53,465
Fund balance, beginning of year	<u>(373,009)</u>	<u>(154,550)</u>
FUND BALANCE, END OF YEAR	<u>\$ (95,105)</u>	<u>\$ (101,085)</u>

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

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE A – ORGANIZATION

The City of Auburn (the City) receives funds from the Placer County Transportation Planning 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, Section 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 system as defined in the TDA.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the City of Auburn'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 and results of operations of only 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 funds:

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 Fund: The Transit Fund is used to account for the operation of the City's transit system.

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 the 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 generally 60 days. TDA revenues are recognized when all eligibility requirements have been met. 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.

Short-term Interfund Payables: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These payables are classified as "due to other funds" on the balance sheet. The "due to other funds" in the Transportation Fund and Transit Fund at June 30, 2017 consist of cash subsidies of \$93,245 and \$111,386, respectively, from other City funds to eliminate negative cash balances.

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

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 CASH EQUIVALENTS

The Transportation and Transit Funds’ 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 the various funds based upon average cash balances. Investments held in the City’s investment pool are available on demand to the TDA 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

The City is required under the Transportation Development Act to maintain a fare revenue to operating expenses ratio of 10%. The calculation of the fare revenue ratio for the year ended June 30, 2017, is as follows:

Passenger fare revenues	\$	24,317
Local support:		
Mechanics salaries		21,771
Transfer from General Fund		<u>16,000</u>
Total fares and support	\$	<u><u>62,088</u></u>
Total expenditures	\$	611,953
Less: Capital outlays		(27,045)
Contractual services		<u>(25,506)</u>
Operating expenses	\$	<u><u>559,402</u></u>
Fare revenue ratio		<u><u>11.10%</u></u>

The City was in compliance with the 10.00% minimum required fare revenue ratio for the year ended June 30, 2017.

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

June 30, 2017

NOTE E – 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. At June 30, 2017, unearned revenues in the Transit Fund were determined as follows:

	<u>LTF</u>	<u>PTMISEA</u>	<u>CaOES</u>	<u>LCTOP</u>	<u>Total</u>
Current year allocations	\$ 421,690	\$ 28,555	\$ 8,748		
Maximum LTF amount allowed:					
Operating Expenses	\$ 611,953				
Adjustments:					
Fare box revenues	(24,317)				
STA revenues	(34,466)				
Operating transfers	7,000				
Operating grants and other revenues	(98,064)				
Interest revenue	<u>(119)</u>				
Maximum LTF amount allowed for operating	<u>461,987</u>				
Other grant expenditures		<u>-</u>	<u>12,467</u>	<u>\$ 11,288</u>	
Net change / maximum that can be (recognized) as revenues or added to unearned revenues	<u>(40,297)</u>	<u>28,555</u>	<u>(3,719)</u>	<u>(11,288)</u>	<u>\$ (26,749)</u>
Unearned Revenue, July 1, 2016	<u>-</u>	<u>29,775</u>	<u>3,719</u>	<u>11,288</u>	<u>44,782</u>
Unearned Revenue, June 30, 2017	<u>\$ -</u>	<u>\$ 58,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,330</u>

NOTE F – PENSION PLAN

The City has three cost sharing multiple-employer defined benefit pension plans; a Safety Police, a Safety Fire, and a Miscellaneous Plan for all other City employees. Information is available about the City’s pension plans in the City’s Comprehensive Annual Financial Report. The Transit Fund employees are included in the Miscellaneous Plan. The pension liability is only reflected in the government-wide financial statements and not in the Transit Fund. Pension contributions by the Transit Fund for the year ended June 30, 2017 was \$42,951, and is reported as part of salaries and benefits.

NOTE G – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City participates in a joint powers agency which provides a shared risk layer of coverage above the self-insured retention amount for liability and workers’ compensation. Information regarding the City’s risk management programs is available in the City of Auburn’s comprehensive annual financial report.

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

June 30, 2017

NOTE H – TRANSFERS

The transfers in the Transportation Fund consisted of \$803,971 from the Capital Project Fund to cover Palm Avenue repair expenses. The transfers in the Transit Fund consisted of \$16,000 as a local contribution to offset transit operating expenses and to help meet the required fare revenue ratio. The transfers out in the Transit Fund consisted of \$23,000 to the General Fund for debt service payments of the City’s pension obligation bonds.

NOTE I – 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.

During the year ended June 30, 2017, the City received \$28,555 for a bus purchase, but was not expended as of year-end. As of June 30, 2017, funds received and expended were verified in the course of the audit as follows:

PTMISEA beginning balance	\$	29,775
Current year allocations received		28,555
Expenses incurred		<u>-</u>
PTMISEA unexpended proceeds at June 30, 2017	\$	<u><u>58,330</u></u>

NOTE J – CALIFORNIA OFFICE OF EMERGENCY SERVICES (CalOES)

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 California Transit Security Grant Program (CTS GP).

During the year ended June 30, 2016, the City received \$17,835 in CalOES funding for emergency generator installation, corp yard security and lighting improvements and spent \$14,116. During the year ended June 30, 2017, the City received \$8,748 for a camera installation. As of June 30, 2017, funds received and expended were verified in the course of the audit as follows:

Cal OES beginning balance	\$	3,719
Current year allocations received		8,748
Expenses incurred:		
Camera installation		(8,748)
Corp yard security/lighting		<u>(3,719)</u>
CalOES unexpended proceeds	\$	<u><u>-</u></u>

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

June 30, 2017

NOTE K – LOW CARBON TRANSIT OPERATIONS PROGRAM (LCTOP)

The 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.

As of June 30, 2017, funds received and expended were verified in the course of the audit as follows:

LCTOP beginning balance	\$ 11,288
Expenses incurred for the bus stop facilities improvement project	<u>(11,288)</u>
LCTOP unexpended proceeds	<u><u>\$ -</u></u>

NOTE L – CONCENTRATIONS

The Funds receives a substantial amount of their support from the TDA through a portion of statewide retail sales tax for the Local Transportation Fund and through the fuel tax for the State Transit Assistance Fund. A significant reduction in the level of this support, if this was to occur, may have a significant impact on the Funds’ activities.

NOTE M – 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.

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 Auburn, 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 Auburn (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Funds' financial statements, and have issued our report thereon dated March 28, 2018.

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

Compliance and Other Matters (including PTMISEA)

As part of obtaining reasonable assurance about whether the Funds' 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 Section 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of bond funds, as presented in Note I, Note J and Note K of the financial statements, in accordance with the PTMISEA and other State statutes and guidelines. However, providing an opinion on compliance with

To the City Council
City of Auburn, California

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.

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

Richardson & Company, LLP

March 28, 2018