

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

Audited Financial Statements  
and Compliance Report

June 30, 2017

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CITY OF ROCKLIN

TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements  
and Compliance Report

June 30, 2017

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 *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..... 12



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## 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, 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 allocated to the City of Rocklin 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  
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, 2017, 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 26, 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 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 26, 2018

**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, 2017. 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 2016/2017 FINANCIAL ANALYSIS**

- Total Funds' Assets were \$6,261,519, consisting of Cash and Due from other agencies. Total Assets increased \$368,264 from \$5,893,255 in 2015-2016. This increase was caused by a higher cash balance from lower expenditures in the Transportation Fund in 2016-2017 year.
- Total Funds' Liabilities of \$1,006,234 decreased \$182,547 over prior year. The decrease was a result of project timing which caused a lower 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 \$194,404, which decreased \$2,825,418 from the prior year. These Deferred Inflows are revenue resources earned but not received until after the 60 day period of availability. The decrease was due to the 2015-2016 Local Transportation Funds (LTF) payment being received after the period of availability for 2015-2016, this delay did not re-occur with the 2016-2017 LTF payment.
- Total Fund's Balance is \$5,060,881 which is restricted for transportation. The Total Fund's Balance has increased \$3,376,229 from prior year primarily due to receiving \$2,871,933 of the allocated 2015-2016 LTF in 2016-2017.
- Total Funds' Revenues were \$6,454,743, while Total Funds' Expenditures were \$2,682,181 and Transfers out were \$396,333, resulting in a Net Increase in Total Funds' Balance of \$3,376,229. See below for analysis of these items.
- Transit Fund Revenues were \$613,665 which decreased by \$213,705 over prior year. This decrease was caused by 2015-2016 revenues which included \$213,713 of State Transit Assistance from the 2014-2015 allocation. Transit Fund Expenditures remained consistent from the prior year.
- Transportation Fund Revenues were \$5,791,648 which increased \$5,550,570 from the prior year due to receiving revenue for both the 2015-2016 and the 2016-2017 LTF allocations in the 2016-2017 year. Transportation Fund Expenditures were \$1,956,226 in 2016-2017 which increased by \$212,590 from the prior year due to increased projects such as the Street Landscaping at City Limits project. Transportation Fund Transfers Out were \$396,333 in 2016-2017 which increased \$107,744 from the prior year due to increased allocated administrative fees from increased project expenditures.
- Bicycle and Pedestrian Facilities Fund received Revenue of \$49,430 in 2016-2017 to reimburse for the Expenditures of \$49,430 incurred in 2015-2016.
- Prop 1B PTMISEA Fund has not received any Revenue in the 2016-2017 or 2015-2016. The fund has incurred Expenditures of \$95,945 in 2016-2017 and \$98,459 in 2015-2016 for the Front Street project. The Revenues to reimburse the fund for the Front Street project are received on project completion, which has not yet occurred as of June 30, 2017.

**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, 2017

	Transit Fund	Transportation Fund	Bicycle and Pedestrian Facilities Fund
<b>ASSETS</b>			
Cash and investments		\$ 2,541,056	
Due from other agencies	\$ 613,665	2,898,567	\$ -
<b>TOTAL ASSETS</b>	\$ 613,665	\$ 5,439,623	\$ -
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable		\$ 163,616	
Accrued salaries and benefits		4,373	
Due to City's General Fund	\$ 630,014		
<b>TOTAL LIABILITIES</b>	\$ 630,014	167,989	-
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue			
 <b>FUND BALANCES</b>			
Restricted for transportation projects		5,271,634	
Deficit	(16,349)		
<b>TOTAL FUND BALANCES</b>	(16,349)	5,271,634	-
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 613,665	\$ 5,439,623	\$ -

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

Prop 1B PTMISEA	
<u>Fund</u>	<u>Total</u>
	\$ 2,541,056
\$ 208,231	<u>3,720,463</u>
<u>\$ 208,231</u>	<u>\$ 6,261,519</u>
	\$ 163,616
	4,373
\$ 208,231	<u>838,245</u>
<u>208,231</u>	<u>1,006,234</u>
194,404	194,404
	5,271,634
<u>(194,404)</u>	<u>(210,753)</u>
<u>(194,404)</u>	<u>5,060,881</u>
<u>\$ 208,231</u>	<u>\$ 6,261,519</u>

CITY OF ROCKLIN  
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2017

	Transit Fund	Transportation Fund	Bicycle and Pedestrian Facilities Fund
<b>REVENUES</b>			
Local Transportation Funds:			
Transit	\$ 470,641		
Streets and roads		\$ 5,770,500	
State Transit Assistance	143,024		
Interest revenues		21,148	
Intergovernmental revenue			\$ 49,430
TOTAL REVENUES	613,665	5,791,648	49,430
<b>EXPENDITURES</b>			
Purchased transit	630,010		
Streets and roads:			
Administration and Engineering		368,961	
Maintenance		672,480	
Construction		914,785	
TOTAL EXPENDITURES	630,010	1,956,226	
<b>OTHER FINANCING USES</b>			
Transfers out		(396,333)	
TOTAL OTHER FINANCING USES		(396,333)	
CHANGES IN FUND BALANCES	(16,345)	3,439,089	49,430
Fund balance, beginning of the year	(4)	1,832,545	(49,430)
FUND BALANCES, END OF THE YEAR	\$ (16,349)	\$ 5,271,634	\$ -

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

Prop 1B PTMISEA Fund	Total
	\$ 470,641
	5,770,500
	143,024
	21,148
	49,430
	6,454,743
	630,010
	368,961
	672,480
\$ 95,945	1,010,730
95,945	2,682,181
	(396,333)
	(396,333)
(95,945)	3,376,229
(98,459)	1,684,652
\$ (194,404)	\$ 5,060,881

CITY OF ROCKLIN  
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 Fund: 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

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

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is 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 2017, the City transferred \$396,333 from the Transportation Fund to the City's General Fund for indirect costs.

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, 2017

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

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

Receivable balance at June 30, 2016	\$ 112,285
Transfer of expenses to be paid by other funding sources	
Expenses incurred	<u>95,946</u>
Receivable balance at June 30, 2017	<u><u>\$ 208,231</u></u>



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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, 2017, 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 26, 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 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)**

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 of the financial statements, in accordance with the

To the City Council  
City of Rocklin, California

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.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, the TDA and PTMISEA in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Richardson & Company, LLP*

March 26, 2018