

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2017

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CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2017

Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Roseville, California

Report on the Financial Statements

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

Prior Year Comparative Information

We have previously audited the TDA Fund financial statements dated February 27, 2017. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2016 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 7, 2018 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 other State 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 7, 2018

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENTS OF NET POSITION

June 30, 2017
(With Comparative Totals as of June 30, 2016)

	Transit Fund	Transportation Fund	Transit Project Fund
ASSETS			
CURRENT ASSETS			
Cash and cash investments	\$ 7,586,057	\$ 4,368,859	\$ 200,987
Accounts receivable	31,047	900	11,813
Due from other agencies	1,413,875	5,114,712	
Interest receivable	40,235	13,334	741
Due from other funds			
TOTAL CURRENT ASSETS	9,071,214	9,497,805	213,541
NONCURRENT ASSETS			
Capital assets, nondepreciable	2,761,454	2,857,494	
Capital assets, depreciable, net	6,715,753	5,594,446	
TOTAL NONCURRENT ASSETS	9,477,207	8,451,940	-
TOTAL ASSETS	18,548,421	17,949,745	213,541
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	245,577	271,238	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 18,793,998	\$ 18,220,983	\$ 213,541
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 987,302	\$ 37,929	
Accrued salaries and benefits	11,982	13,182	
Other accrued liabilities		10,314	
Due to other funds			
Compensated absences	28,636	34,174	
Unearned revenue	6,622,921	8,415,889	
TOTAL CURRENT LIABILITIES	7,650,841	8,511,488	-
NONCURRENT LIABILITIES			
Compensated absences	44,551	84,277	
Net pension liability	1,184,068	1,143,238	
NONCURRENT LIABILITIES	1,228,619	1,227,515	-
TOTAL LIABILITIES	8,879,460	9,739,003	-
DEFERRED INFLOWS OF RESOURCES			
Pensions	31,113	30,040	
NET POSITION			
Net investment in capital assets	9,477,207	8,451,940	
Restricted for Local Transportation	406,218		\$ 213,541
TOTAL NET POSITION	9,883,425	8,451,940	213,541
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 18,793,998	\$ 18,220,983	\$ 213,541

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

CTSA Call Center	Totals	
	2017	2016
\$ 754,717	\$ 12,910,620	\$ 9,494,111
	43,760	35,972
38,850	6,567,437	9,109,827
3,043	57,353	22,168
	-	4,177,120
<u>796,610</u>	<u>19,579,170</u>	<u>22,839,198</u>
	5,618,948	3,940,940
245,067	12,555,266	12,127,066
<u>245,067</u>	<u>18,174,214</u>	<u>16,068,006</u>
1,041,677	37,753,384	38,907,204
42,204	559,019	208,279
<u>\$ 1,083,881</u>	<u>\$ 38,312,403</u>	<u>\$ 39,115,483</u>
\$ 29,441	\$ 1,054,672	\$ 143,270
349	25,513	79,852
	10,314	
	-	4,177,120
1,225	64,035	80,944
	15,038,810	14,938,956
<u>31,015</u>	<u>16,193,344</u>	<u>19,420,142</u>
2,424	131,252	163,323
102,075	2,429,381	2,078,948
<u>104,499</u>	<u>2,560,633</u>	<u>2,242,271</u>
135,514	18,753,977	21,662,413
2,682	63,835	131,308
245,067	18,174,214	16,068,006
700,618	1,320,377	1,253,756
<u>945,685</u>	<u>19,494,591</u>	<u>17,321,762</u>
<u>\$ 1,083,881</u>	<u>\$ 38,312,403</u>	<u>\$ 39,115,483</u>

CITY OF ROSEVILLE

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2017
(With Comparative Totals as of June 30, 2016)

	Transit Fund	Transportation Fund	Transit Project Fund
OPERATING REVENUES			
Passenger fares	\$ 1,016,447		
TOTAL OPERATING REVENUES	<u>1,016,447</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Salaries and benefits	274,941	\$ 582,287	
Purchased transportation	3,450,450		
Maintenance, materials and supplies	1,480,274	486,595	
Depreciation	1,105,905	330,737	
TOTAL OPERATING EXPENSES	<u>6,311,570</u>	<u>1,399,619</u>	<u>-</u>
OPERATING LOSS	(5,295,123)	(1,399,619)	
NONOPERATING REVENUES (EXPENSES)			
Local Transportation Funds - operating	3,758,224	2,025,587	
State Transit Assistance Funds	348,287		
Federal and state grants - operating			
Interest revenues	21,346	6,360	\$ 186
Gain(loss) on sale of capital assets	(8,306)		
Other revenues	328,113	10,676	41,721
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>4,447,664</u>	<u>2,042,623</u>	<u>41,907</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(847,459)	643,004	41,907
Local Transportation Funds - capital	41,655	344,654	
Federal and state grants - capital	3,234,490	44,924	
Transfer in from other City funds	164,122		
Transfer out to other City funds	(430,873)	(973,741)	
CHANGE IN NET POSITION	2,161,935	58,841	41,907
Net position, beginning of year	<u>7,721,490</u>	<u>8,393,099</u>	<u>171,634</u>
NET POSITION, END OF YEAR	<u>\$ 9,883,425</u>	<u>\$ 8,451,940</u>	<u>\$ 213,541</u>

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

CTSA Call Center	Totals	
	2017	2016
	\$ 1,016,447	\$ 1,009,063
-	1,016,447	1,009,063
\$ 113,389	970,617	1,168,747
	3,450,450	3,413,575
348,924	2,315,793	1,781,171
13,891	1,450,533	1,639,560
476,204	8,187,393	8,003,053
(476,204)	(7,170,946)	(6,993,990)
349,729	6,133,540	4,743,563
	348,287	503,199
44,125	44,125	1,381,892
889	28,781	121,495
	(8,306)	6,160
	380,510	170,366
394,743	6,926,937	6,926,675
(81,461)	(244,009)	(67,315)
	386,309	1,361,975
	3,279,414	205,920
	164,122	152,580
(8,393)	(1,413,007)	(508,578)
(89,854)	2,172,829	1,144,582
1,035,539	17,321,762	16,177,180
\$ 945,685	\$ 19,494,591	\$ 17,321,762

CITY OF ROSEVILLE

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2017
(With Comparative Totals as of June 30, 2016)

	Transit Fund	Transportation Fund	Transit Project Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,016,447		
Payments to employees and related benefits	(332,933)	\$ (483,438)	
Payments to suppliers	(3,921,700)	(670,386)	
NET CASH USED BY OPERATING ACTIVITIES	(3,238,186)	(1,153,824)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating grants and other revenues	5,876,479	3,411,735	\$ 38,535
Interfund borrowings	(3,322,880)	3,322,880	
Transfers in	164,122		
Transfers out	(430,873)	(973,741)	
NET CASH PROVIDED BY NON-CAPITAL AND RELATED FINANCING ACTIVITIES	2,286,848	5,760,874	38,535
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants	3,363,285	147,583	
Purchases of capital assets	(3,276,145)	(389,578)	
Proceeds from sale of capital assets	5,848		
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	92,988	(241,995)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings on investments	(3,989)	(2,021)	(237)
NET CASH USED BY INVESTING ACTIVITIES	(3,989)	(2,021)	(237)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(862,339)	4,363,034	38,298
Cash and cash equivalents, beginning of year	8,448,396	5,825	162,689
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,586,057	\$ 4,368,859	\$ 200,987

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

CTSA Call Center	Totals	
	2017	2016
	\$ 1,016,447	\$ 1,009,063
\$ (344,561)	(1,160,932)	(1,257,350)
(138,397)	(4,730,483)	(5,445,845)
(482,958)	(4,874,968)	(5,694,132)
369,024	9,695,773	1,288,298
	-	
	164,122	152,580
(8,393)	(1,413,007)	(508,578)
360,631	8,446,888	932,300
	3,510,868	2,368,921
	(3,665,723)	(1,567,899)
	5,848	6,160
-	(149,007)	807,182
(157)	(6,404)	121,225
(157)	(6,404)	121,225
(122,484)	3,416,509	(3,833,425)
877,201	9,494,111	13,327,536
<u>\$ 754,717</u>	<u>\$ 12,910,620</u>	<u>\$ 9,494,111</u>

CITY OF ROSEVILLE

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF CASH FLOWS (Continued)

For the Year Ended June 30, 2017
 (With Comparative Totals as of June 30, 2016)

	Transit Fund	Transportation Fund	Transit Project Fund
	<u> </u>	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating loss	\$ (5,295,123)	\$ (1,399,619)	
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation	1,105,905	330,737	
Construction in process expensed	94,828		
Change in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
Deferred outflows/inflows of resources	(173,761)	(208,531)	
Accounts payable	914,196	(7,157)	
Accrued salaries	(32,184)	(19,393)	
Other accrued liabilities		10,314	
Compensated absences payable	(46,168)	(2,282)	
Net pension liability	194,121	142,107	
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (3,238,186)</u>	<u>\$ (1,153,824)</u>	<u>\$ -</u>

CTSA Call Center	Totals	
	2017	2016
\$ (476,204)	\$ (7,170,946)	\$ (6,993,990)
13,891	1,450,533 94,828	1,639,560
(35,921)	(418,213)	(166,469)
4,363	911,402	(357,823)
(2,762)	(54,339)	36,436
	10,314	
(530)	(48,980)	29,775
14,205	350,433	118,379
<u>\$ (482,958)</u>	<u>\$ (4,874,968)</u>	<u>\$ (5,694,132)</u>

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017

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: Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which are accrued as earned. The liability for compensated absences is determined annually and is recorded in each proprietary fund.

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, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2017, 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, 2017:

Federal Transit Administration grants	\$ 1,156,048
Local Transportation Funds	5,034,517
State Transit Assistance Funds	103,113
Other	<u>273,759</u>
Total due from other governmental agencies	<u><u>\$ 6,567,437</u></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, 2017, there were no interfund due to or due from balances. Significant transfers into the Transit Fund consisted of \$89,271 from the General Fund for the Municipal Services District #3 and \$57,837 from the Roadway Fund for the Sierra Gardens Transfer Point Improvement Project. Significant transfers out of the Transit Fund consisted of \$112,754 for post-retirement benefits of key personnel who retired during the year, \$92,295 to the Public Facilities Fund for the City’s new building project at 316 Vernon Street and \$219,281 to the General Fund for indirect costs. Significant transfers out of the Transportation Fund consisted of \$818,845 to the Roadway Fund for various roadway project expenditures and \$121,759 to the General Fund for indirect costs. Transfers out of the CTSA Call Center Fund consisted of \$8,393 to the General Fund for indirect costs.

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

NOTE F – CAPITAL ASSETS

Capital asset activity consisted of the following for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital assets, not being depreciated					
Land and easements	\$ 869,834			\$ 74,030	\$ 943,864
Streets (modified)	24,914				24,914
Landscaping (modified)	26,843				26,843
Construction in progress	3,019,349	\$ 1,772,836		(168,858)	4,623,327
Total capital assets, not being depreciated	<u>3,940,940</u>	<u>1,772,836</u>	<u>-</u>	<u>(94,828)</u>	<u>5,618,948</u>
Capital assets being depreciated					
Buildings	452,380			401,448	853,828
Improvements	1,648,849	35,368	\$ (34,510)		1,649,707
Equipment and vehicles	14,901,028	1,857,519	(1,050,400)	(401,448)	15,306,699
Bike paths	5,385,455				5,385,455
Bridges	1,702,403				1,702,403
Culverts	356,961				356,961
Sidewalks	463,995				463,995
Drain inlets	29,863				29,863
Storm drains	59,117				59,117
Total capital assets, being depreciated	<u>25,000,051</u>	<u>1,892,887</u>	<u>(1,084,910)</u>	<u>-</u>	<u>25,808,028</u>
Less accumulated depreciation for:					
Buildings	(254,464)	(18,083)		(130,471)	(403,018)
Improvements	(730,984)	(54,663)	20,357		(765,290)
Equipment and vehicles	(9,767,835)	(1,062,588)	1,050,399	130,471	(9,649,553)
Bike paths	(1,875,911)	(266,939)			(2,142,850)
Bridges	(141,867)	(18,916)			(160,783)
Culverts	(35,172)	(4,759)			(39,931)
Sidewalks	(55,161)	(23,199)			(78,360)
Drain inlets	(5,485)	(598)			(6,083)
Storm drains	(6,106)	(788)			(6,894)
Total accumulated depreciation	<u>(12,872,985)</u>	<u>(1,450,533)</u>	<u>1,070,756</u>	<u>-</u>	<u>(13,252,762)</u>
Net capital assets being depreciated	<u>12,127,066</u>	<u>442,354</u>	<u>(14,154)</u>	<u>-</u>	<u>12,555,266</u>
Total capital assets, net	<u>\$ 16,068,006</u>	<u>\$ 2,215,190</u>	<u>\$ (14,154)</u>	<u>\$ (94,828)</u>	<u>\$ 18,174,214</u>

NOTE G – LONG-TERM LIABILITIES

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

	Balance June 30, 2016	Additions	Used	Balance June 30, 2017	Due Within One Year
Compensated absences	\$ 244,267	\$ 139,521	\$ 188,501	\$ 195,287	\$ 64,035
Net pension liability	2,078,948	350,433		2,429,381	
	<u>\$ 2,323,215</u>	<u>\$ 489,954</u>	<u>\$ 188,501</u>	<u>\$ 2,624,668</u>	<u>\$ 64,035</u>

CITY OF ROSEVILLE
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

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, 2017, is as follows:

Passenger fare revenues (excludes charter revenues)	\$ 1,016,447
Local support - advertising	79,682
Local support - cash transfers in	106,285
	<u>\$ 1,202,414</u>
Operating expenses	\$ 6,311,570
Less allowable exclusions:	
Depreciation	(1,105,905)
	<u>\$ 5,205,665</u>
Fare revenue ratio	<u>23.10%</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, 2017, was determined as follows:

	Transit Fund	Transportation Fund	CTSA Call Center
Operating expenses	\$ 6,311,570	\$ 1,399,619	\$ 476,204
Adjustments:			
Depreciation	(1,105,905)	(330,737)	(13,891)
Fare box revenues	(1,016,447)		
State Transit Assistance revenue	(348,287)		
Grant revenue			(44,125)
Interest revenues	(21,346)	(6,360)	(889)
Other revenues	(328,113)	(10,676)	
Net transfers	266,751	973,741	8,393
	<u>\$ 3,758,223</u>	<u>\$ 2,025,587</u>	<u>\$ 425,692</u>
Capital expenditures	\$ 3,276,145	\$ 389,578	
Adjustments:			
Grant revenue	(3,234,490)	(44,924)	
	<u>\$ 41,655</u>	<u>\$ 344,654</u>	<u>\$ -</u>

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

June 30, 2017

NOTE I – UNEARNED REVENUE (Continued)

A schedule of changes in unearned revenue for the year ended June 30, 2017, is as follows:

	Transit Fund						
	Local Transportation Funds	PTMISEA	TSSSDRA	LCTOP	Excess FTA Funds from Vehicles Sold	Other	Total
Beginning balance, July 1, 2016	\$ 7,253,886	\$ 1,085,117	\$ 170,981	\$ 207,686		\$ 530,000	\$ 9,247,670
LTF Allocations	2,434,778						2,434,778
Maximum LTF eligibility							
Operating	(3,758,223)						(3,758,223)
Capital	(41,655)						(41,655)
Unearned receipts			81,921		\$ 69,532	40,000	191,453
Other expenses	(67,399)	(1,085,117)	(90,900)	(207,686)			(1,451,102)
Ending balance, June 30, 2017	<u>\$ 5,821,387</u>	<u>\$ -</u>	<u>\$ 162,002</u>	<u>\$ -</u>	<u>\$ 69,532</u>	<u>\$ 570,000</u>	<u>\$ 6,622,921</u>

	Transportation Fund				CTSA Call Center
	Local Transportation Funds	PTMISEA	TSSSDRA	Total	Local Transportation Funds
Beginning balance, July 1, 2016	\$ 5,637,881	\$ 33,675		\$ 5,671,556	\$ 19,729
LTF Allocations	5,034,517			5,034,517	330,000
Maximum LTF eligibility					
Operating	(2,025,587)			(2,025,587)	(349,729)
Capital	(344,654)			(344,654)	
Unearned receipts			\$ 80,664	80,664	
Other expenses		(607)		(607)	
Ending balance, June 30, 2017	<u>\$ 8,302,157</u>	<u>\$ 33,068</u>	<u>\$ 80,664</u>	<u>\$ 8,415,889</u>	<u>\$ -</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.

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

June 30, 2017

NOTE J – PTMISEA

As of June 30, 2017, 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:

Project Name	Fund	Grant Amount (includes earned interest)	Received Through June 30, 2017	Expended Through June 30, 2017	(Receivable) Unexpended at June 30, 2017
Bus replacement acquisition	Transit	\$ 1,110,095	\$ 1,110,095	\$ 1,110,095	\$ -
Dial-A-Ride and light fleet upgrade	Transit	85,606	85,606	85,606	-
Radio system replacement	Transit	32,161			-
Downtown transfer point reconstruction	Transportation	333,407	333,407	333,407	-
Radio system replacement	Transportation	33,068	33,068		33,068
		<u>\$ 1,594,337</u>	<u>\$ 1,562,176</u>	<u>\$ 1,529,108</u>	<u>\$ 33,068</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 \$242,666 reflected as unearned revenue, including accrued interest, were restricted. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. As of June 30, 2017, funds received and expended were as follows:

Balance at beginning of year	\$ 170,981
CalOES funds received	160,851
Interest earnings	3,129
CalOES funds expended:	
Exterior security and lighting at Roseville Transit Facilities	<u>(92,295)</u>
Unexpended proceeds	<u>\$ 242,666</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.

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

June 30, 2017

NOTE L – LCTOP (Continued)

The City received \$69,663 of LCTOP funds during the year ended June 30, 2017, which is for the Louis/Orlando Transfer Center and fixed route service enhancements. As of June 30, 2017, funds received and expended were as follows:

Balance at beginning of year	\$	207,686
LCTOP funds received		69,663
Interest earnings		3,214
LCTOP funds expended:		
Louis Orlando transfer point improvements		(280,563)
Unexpended proceeds	\$	-

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 and property damage up to \$400,000,000. The City has a self-insured retention or deductible of \$500,000 and \$25,000, respectively, per claim.

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 \$500,000 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.

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

June 30, 2017

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.

NOTE P – PENSION LIABILITY

The City's Alternative Transportation employees are included in the City's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan on a cost sharing basis, administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. 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, however the City allocated the proportional share of the deferred outflows of resources, deferred inflows of resources, net pension liability, and pension expense to the Funds based on the 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, 2017, the deferred outflows of resources, net pension liability, deferred inflows of resources and pension expense related to the Funds were \$559,019, \$2,429,381, \$63,835 and \$149,753, respectively. Pension expense was reported as part of salaries and benefits expenses. Detailed information about the City's collective net pension liability is available in Note 7 of the City's separately issued Comprehensive Annual Financial Report (CAFR). The City's CAFR may be obtained by contacting the City's Finance Department or on the internet at www.roseville.ca.us.



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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 OTHER STATE PROGRAM 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, 2017, and the related notes to the financial statements, which collectively comprise the Funds' financial statements, and have issued our report thereon dated February 7, 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 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 material weaknesses. 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 Notes J, K and L to the financial statements, in accordance with other State 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 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

February 7, 2018