

CITY OF LINCOLN
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2021

CITY OF LINCOLN

TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2021 and 2020

Audited Financial Statements

Independent Auditor's Report	1
Balance Sheets – Street Fund	3
Statements of Revenues, Expenditures and Changes in Fund Balance – Street Fund	4
Statements of Net Position – Transit Fund	5
Statements of Revenues, Expenses and Changes in Fund Net Position – Transit Fund	6
Statements of Cash Flows – Transit Fund	7
Notes to Financial Statements	8

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 Other State Program Guidelines	15
--	----



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

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Lincoln, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Funds (TDA Funds) allocated to the City of Lincoln, as of and for the years ended June 30, 2021 and 2020, 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 audits. We conducted our audits 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 (TDA Funds) allocated to the City of Lincoln as of June 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Lincoln, California

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the TDA Funds of the City of Lincoln and do not purport to, and do not, present fairly the financial position of the City of Lincoln as of June 30, 2021 and 2020, the changes in financial position, or where applicable, its cash flows for the years 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 and budgetary comparison information for the governmental fund 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, 2022 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 program 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, 2022

CITY OF LINCOLN
TRANSPORTATION DEVELOPMENT ACT FUNDS

BALANCE SHEETS
STREET FUND

June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and investments	\$ 1,827,246	\$ 653,543
Interest receivable	281	265
Due from other governments	639,250	1,955,318
TOTAL ASSETS	\$ 2,466,777	\$ 2,609,126
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
LIABILITIES		
Accounts and retentions payable	\$ 351,003	\$ 153,843
Accrued salaries and benefits	12,983	6,257
TOTAL LIABILITIES	363,986	160,100
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	633,750	309,740
 FUND BALANCE		
Restricted for streets and roads projects	1,469,041	2,139,286
TOTAL FUND BALANCE	1,469,041	2,139,286
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 2,466,777	\$ 2,609,126

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

CITY OF LINCOLN
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
STREET FUND

For the Years Ended June 30, 2021 and 2020

	2021	2020
REVENUES		
Local Transportation Funds:		
Streets and roads	\$ 1,556,854	\$ 1,645,543
Investment income	7,003	75,691
Other revenue	41,809	2,247
TOTAL REVENUES	1,605,666	1,723,481
EXPENDITURES		
Streets and roads	2,134,424	1,945,495
Administration	65,584	250,500
TOTAL EXPENDITURES	2,200,008	2,195,995
OTHER FINANCING USES		
Transfers out	(75,903)	(73,468)
TOTAL OTHER FINANCING USES	(75,903)	(73,468)
NET CHANGE IN FUND BALANCE	(670,245)	(545,982)
Fund balance at beginning of year	2,139,286	2,685,268
FUND BALANCE AT END OF YEAR	\$ 1,469,041	\$ 2,139,286

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

CITY OF LINCOLN
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF NET POSITION
TRANSIT FUND

June 30, 2021 and 2020

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and investments	\$ 1,073,693	\$ 13,056
Interest receivable	173	
Due from other governments		1,589,418
TOTAL CURRENT ASSETS	1,073,866	1,602,474
NONCURRENT ASSETS		
Capital assets not being depreciated		3,873
Capital assets being depreciated, net	606,478	650,128
TOTAL NONCURRENT ASSETS	606,478	654,001
TOTAL ASSETS	1,680,344	2,256,475
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	102,808	103,526
OPEB plan	57,289	58,914
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,840,441	\$ 2,418,915
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accrued salaries and benefits		\$ 886
Due to other agencies	\$ 201,385	162,402
Due to other City funds		636,842
Compensated absences	2,505	1,404
Unearned revenue	85,282	84,837
TOTAL CURRENT LIABILITIES	289,172	886,371
LONG-TERM LIABILITIES		
Compensated absences	626	351
Net pension liability	349,446	347,349
Net other postemployment benefits (OPEB) liability	192,192	189,058
TOTAL LONG-TERM LIABILITIES	542,264	536,758
TOTAL LIABILITIES	831,436	1,423,129
DEFERRED INFLOWS OF RESOURCES		
Pension plan	18,629	19,928
OPEB plan		96
TOTAL DEFERRED INFLOWS OF RESOURCES	18,629	20,024
NET POSITION		
Investment in capital assets	606,478	654,001
Restricted for transit operations	383,898	321,761
TOTAL NET POSITION	990,376	975,762
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,840,441	\$ 2,418,915

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

CITY OF LINCOLN
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
TRANSIT FUND

For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Passenger fares	\$ 63	\$ 553
OPERATING EXPENSES		
Salaries and benefits	60,598	78,967
Professional services	287,098	525,236
Maintenance and equipment		55,823
Insurance	15,039	953
Administration and overhead	34,901	66,492
Depreciation	47,523	35,916
TOTAL OPERATING EXPENSES	445,159	763,387
OPERATING LOSS	(445,096)	(762,834)
NONOPERATING REVENUES (EXPENSES)		
Local Transportation Fund	268,916	1,261,940
State Transit Assistance	190,599	327,478
State grants		54,917
Interest	99	(4,376)
Other revenues	96	247
TOTAL NONOPERATING REVENUES (EXPENSES)	459,710	1,640,206
NET INCOME (LOSS) BEFORE TRANSFERS	14,614	877,372
OTHER FINANCING USES		
Transfers in		292
Transfers out		(17,406)
CHANGE IN NET POSITION	14,614	860,258
Net position at beginning of year	975,762	115,504
NET POSITION AT END OF YEAR	\$ 990,376	\$ 975,762

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

CITY OF LINCOLN
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF CASH FLOWS
TRANSIT FUND

For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 63	\$ 553
Payments to employees	(53,929)	(68,747)
Payments to suppliers	(297,959)	(765,925)
NET CASH USED FOR OPERATING ACTIVITIES	(351,825)	(834,119)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings on investments	(74)	(4,127)
NET CASH USED FOR INVESTING ACTIVITIES	(74)	(4,127)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Operating grants and other revenues	2,049,474	5,112
Interfund borrowing and transfers	(636,842)	619,728
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	1,412,632	624,840
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of capital assets		(9,736)
NET CASH USED BY INVESTING ACTIVITIES		(9,736)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,060,733	(223,142)
Cash and cash equivalents at beginning of year	13,056	236,198
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,073,789	\$ 13,056
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating loss	\$ (445,096)	\$ (762,834)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	47,523	35,916
Other	96	
Change in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Deferred outflows/inflows	948	(41,273)
Due to other governments	38,983	(108,193)
Accounts and retentions payable		(9,228)
Accrued salaries and benefits	(886)	199
Compensated absences payable	1,376	752
Net OPEB liability	3,134	46,853
Net pension liability	2,097	3,689
NET CASH USED FOR OPERATING ACTIVITIES	\$ (351,825)	\$ (834,119)

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

CITY OF LINCOLN
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A – ORGANIZATION

The City of Lincoln (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, 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 TDA 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 special revenue fund type of the governmental fund group to account for the activities of the Street Fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The City utilizes the enterprise fund type of the proprietary fund group to account for the Transit Fund. The following funds are used by the City to account for its TDA funds:

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

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

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The special revenue fund is accounted for using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources 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. All proprietary funds are accounted for using the 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 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 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. 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.

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

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

When both restricted and unrestricted net position is available, unrestricted resources are used only after restricted resources are depleted.

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 \$50,000 and the expected useful life of the asset is greater than one year. Contributed capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Buildings and Improvements	15 – 20 years
Transit Vehicles	5 – 10 years

The Transit Fund has acquired certain assets with funding provided by federal and state assistance from various grant programs. The Funds holds title to these assets; however, the federal government retains an interest in these assets should the assets no longer be used for transit purposes.

Compensated Absences: It is the City’s policy to permit employees to accumulate earned but unused vacation, compensatory time off and sick leave. Unused vacation and compensatory time off benefits are paid to employees upon termination. For employees with over five years continuous employment, unused sick leave benefits are paid ratably in accordance with the length of service upon termination. In the proprietary funds the accrued compensated absences is recorded as an expense and related liability in the year earned. The City includes its share of social security and Medicare taxes payable on behalf of the employees in the accrual for compensated absences.

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.

Pension Plan: For purposes of measuring the net pension liability and deferred inflows/outflows of resources related to the pension plan, and pension expense, information about the fiduciary net position of the City’s California Public Employees’ Retirement System (CalPERS) plan (the Plan) and additions to /deductions from the Plan’s 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 reported at fair value.

Other Postemployment Benefits (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary

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

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

net position of the OPEB plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis. For this purpose, the benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Restricted Fund Balance/Net Position: Restrictions of fund balance/net position show amounts that are legally restricted for specific uses in accordance with TDA requirements.

Interfund Transactions: Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them. Transfers out in the Street Fund during the years ended June 30, 2021 and 2020 consisted of \$75,903 and \$73,468, respectively, to cover the Fund’s share of the debt service payments on certain City facilities. There were no transfers out or into the Transit Fund during the year ended June 30, 2021. Transfers out of the Transit Fund during the year ended June 30, 2020 consisted of \$17,406, to cover the Fund’s share of the debt service payments on certain City facilities.

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 INVESTMENTS

The Funds’ cash is held in the City Treasury. 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 TDA 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 – CAPITAL ASSETS

Changes in capital assets consisted of the following during the years ended June 30:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers &</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets not being depreciated:					
Construction in progress	\$ 3,873			\$ (3,873)	\$ -
Capital assets being depreciated:					
Buildings and improvements	746,103				746,103
Infrastructure	290,185			3,873	294,058
Total capital assets being depreciated	<u>1,036,288</u>			<u>3,873</u>	<u>1,040,161</u>
Less accumulated depreciation for:					
Buildings and improvements	(386,160)	\$ (35,916)			(422,076)
Infrastructure		<u>(11,607)</u>			<u>(11,607)</u>
Total accumulated depreciation	<u>(386,160)</u>	<u>(47,523)</u>			<u>(433,683)</u>
Total capital assets being depreciated, net	<u>650,128</u>	<u>(47,523)</u>		<u>3,873</u>	<u>606,478</u>
Capital assets, net	<u>\$ 654,001</u>	<u>\$ (47,523)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 606,478</u>

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

June 30, 2021 and 2020

NOTE D – CAPITAL ASSETS (Continued)

	Balance June 30, 2019	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Construction in progress	\$ 284,322	\$ 9,736		\$ (290,185)	\$ 3,873
Capital assets being depreciated:					
Buildings and improvements	746,103				746,103
Transit vehicles	231,050		\$ (231,050)		
Infrastructure				290,185	290,185
Total capital assets being depreciated	977,153		(231,050)	290,185	1,036,288
Less accumulated depreciation for:					
Buildings and improvements	(350,244)	(35,916)			(386,160)
Transit vehicles	(231,050)		231,050		
Total accumulated depreciation	(581,294)	(35,916)	231,050		(386,160)
Total capital assets being depreciated, net	395,859	(35,916)		290,185	650,128
Capital assets, net	\$ 680,181	\$ (26,180)	\$ -	\$ -	\$ 654,001

NOTE E – LONG-TERM LIABILITIES

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

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 1,755	\$ 1,376		\$ 3,131	\$ 2,505
Net pension liability	347,349	2,097		349,446	
Net OPEB Liability	189,058	3,134		192,192	
	\$ 538,162	\$ 6,607	\$ -	\$ 544,769	\$ 2,505
	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Compensated absences	\$ 1,003	\$ 752		\$ 1,755	\$ 1,404
Net pension liability	343,660	3,689		347,349	
Net OPEB Liability	142,205	46,853		189,058	
	\$ 486,868	\$ 51,294	\$ -	\$ 538,162	\$ 1,404

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

June 30, 2021 and 2020

NOTE F – 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 significant fare revenues are recorded in the Transit Fund's financial statements. A fare revenue ratio is calculated for Placer County in the Placer County Transit audited financial statements.

NOTE G – PENSION PLAN

The City participates in a cost-sharing defined benefit pension plan administered by CalPERS that consists of the following risk pools and a number of rate plans: a Safety Risk Pool (Police and Fire) and a Miscellaneous Risk Pool for all other City employees. Information is available about the City's pension plan in the City's Comprehensive Annual Financial Report. The Transit Fund employees are included in the Miscellaneous Risk Pool. However, the actuarial valuation for the City's participation in the Miscellaneous Risk Pool received from CalPERS does not separately disclose information that is required to be reported under GASB 68 and 71 for the Transit Fund. The pension liability reported in the Transit Fund represents a proportional share of the pension liability of the City's participation in the Miscellaneous Risk Pool as a whole based on a proportional share of cash basis employer contributions paid on behalf of the Transit Fund employees compared to all non-Safety City employees. The deferred outflows of resources, net pension liability, deferred inflows of resources and pension expense related to the Transit Fund were \$102,808, \$349,446, \$18,629 and \$2,716, respectively, as of and for the year ended June 30, 2021 and were \$103,526, \$347,349, \$19,928 and \$6,086, respectively, as of and for the year ended June 30, 2020. Pension expense was reported as part of salaries and benefits expense.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City has an OPEB plan covering all City employees. The actuarial valuation for the City's OPEB plan does not separately disclose information that is required to be reported for the Transit Fund. This information is available in the City's Comprehensive Annual Financial Report for the City's OPEB plan as a whole. The net OPEB liability and related deferred inflows and outflows of resources reported in the Funds represent a proportional share of the OPEB liability for the City as a whole. The percentage of the City's OPEB liability that is recorded in the Fund is based on a proportion of employee salaries and medical expense of the Fund compared to the salaries and medical expense of the City as a whole. The deferred outflows of resources, net OPEB liability, deferred inflows of resources and OPEB expense were \$57,289, \$192,192, \$0 and \$31,890, respectively, as of and for the year ended June 30, 2021 and were \$58,914, \$189,058, \$96 and \$45,920, respectively, as of and for the year ended June 30, 2020. OPEB expense was reported as part of salaries and benefits expense.

NOTE I – 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 Lincoln's financial statements.

NOTE J – 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

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

June 30, 2021 and 2020

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

California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation or replacement.

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

	2021	2020
Unspent proceeds at July 1	\$ 84,837	\$ 134,889
Interest earned	445	4,865
Expenses:		
Vehicle locator, surveillance system and revenue collection system	-	(54,917)
Unspent proceeds at June 30	\$ 85,282	\$ 84,837

The unspent PTMISEA revenues are reported as unearned revenue in the Transit Fund.

NOTE K – CONCENTRATIONS

The Fund receives 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 Fund’s activities.

NOTE L – 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 OTHER STATE PROGRAM GUIDELINES

To the City Council
City of Lincoln, 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) of the City of Lincoln (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Fund's financial statements, and have issued our report thereon dated March 28, 2022.

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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 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 financial statements. 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 J of the financial statements, in accordance with other State program guidelines.

To the City Council
City of Lincoln, California

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 other State program 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 program 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, 2022