

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2020

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2020

Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Auburn, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Funds of the City of Auburn, as of and for the year ended June 30, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Development Act Funds of the City of Auburn as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
Auburn, California

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the Transportation Development Act Funds of the City of Auburn and do not purport to, and do not, present fairly the financial position of the City of Auburn as of June 30, 2020, the changes in financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2021 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 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

May 13, 2021

CITY OF AUBURN

TRANSPORTATION DEVELOPMENT ACT FUNDS

BALANCE SHEETS

June 30, 2020

	Transportation Fund	Transit Fund
ASSETS		
Cash and investments	\$ 177,338	
Due from other agencies	1,054,769	\$ 299,940
Due from other funds	<u>230,705</u>	<u>109,152</u>
TOTAL ASSETS	<u>\$ 1,462,812</u>	<u>\$ 409,092</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 902,281	\$ 41,818
Due to other funds	<u>109,152</u>	<u>253,043</u>
TOTAL LIABILITIES	<u>1,011,433</u>	<u>294,861</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	<u>861,783</u>	<u>202,638</u>
FUND BALANCES		
Unassigned (deficit)	<u>(410,404)</u>	<u>(88,407)</u>
TOTAL FUND BALANCES (DEFICIT)	<u>(410,404)</u>	<u>(88,407)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,462,812</u>	<u>\$ 409,092</u>

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

CITY OF AUBURN

TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2020

	Transportation Fund	Transit Fund
REVENUES		
Local Transportation Funds:		
Streets and roads	\$ 419,270	
Regional Service Transportation Program	163,021	
Transit		\$ 530,143
Other federal, state and local grants:		
Federal	1,446,057	
Placer County Water Agency reimbursement	917,352	
Sacramento Area Council of Governments Active Transportation Program	299,997	
Sacramento Metropolitan Air Quality Management District		200,000
Low Carbon Transit Operations Program (LCTOP)		86,337
State Transit Assistance		99,265
State of Good Repair		16,051
PTMISEA		17,943
Other	1,852	
Fares		18,835
Other non-operating revenues		900
Investment income	833	
TOTAL REVENUES	3,248,382	969,474
EXPENDITURES		
Streets and roads projects	5,096,068	
Maintenance, materials and supplies	6	82,887
Insurance	8,603	48,515
Salaries and benefits	11,473	476,325
Fuel		31,471
Capital outlay		427,517
TOTAL EXPENDITURES	5,116,150	1,066,715
OTHER FINANCING SOURCES (USES)		
Transfers in	500,000	
Transfers out		(23,494)
TOTAL OTHER FINANCING SOURCES (USES)	500,000	(23,494)
NET CHANGE IN FUND BALANCES	(1,367,768)	(120,735)
Fund balances, beginning of year	957,364	32,328
FUND BALANCES (DEFICIT), END OF YEAR	\$ (410,404)	\$ (88,407)

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

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – ORGANIZATION

The City of Auburn (the City) receives funds from the Placer County Transportation Planning Agency under the provisions of the Transportation Development Act (TDA) from the Placer County Local Transportation Fund (LTF) under Article 4, Section 99260(a) and Article 8, Section 99400(a) and State Transit Assistance Fund (STAF) under Article 4, Section 6730(a). The STAF funds are to be used for public transportation purposes only. The City's Article 4 LTF funds are for the support of public transportation system as defined in the TDA. State of Good Repair funds are available for the purchase of new vehicles and the maintenance and rehabilitation of transit facilities and vehicles.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the City of Auburn's Transportation Development Act Funds (the Funds) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity: The financial statements are intended to present the financial position and results of operations of only transactions recorded in the Funds. The Funds are included in the financial statements of the City.

Fund Accounting: The accounts of the City are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The City utilizes the special revenue fund type of the governmental fund group to account for the activities of the Funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following funds are used by the City to account for its TDA funds:

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

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

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is accounted for using the current financial resources measurement focus. With this measurement focus, only current assets, 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.

The modified accrual basis of accounting is used by special revenue funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is generally 60 days. TDA revenues are recognized when all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Short-term Interfund Payables: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These payables are classified as "due from other funds" or "due to other funds" on the balance sheet. The "due to other funds in the Transportation Fund and "due from other funds" in the Transit Fund at June 30, 2020 consisted of \$109,152 of Transit Fund revenue recorded in the Transportation Fund. The "due from other funds" in the Transportation Fund and the "due to other funds" in the Transit Fund at

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

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

June 30, 2020 consisted of cash subsidies to eliminate a negative cash balance, of which \$230,705 was owed to the Transportation fund by the Transit Fund.

Deferred Inflows of Resources: Deferred inflows of resources in governmental funds arise when a potential revenue source does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of resources consisted of LTF and grant revenues for which all eligibility requirements had been met at year-end, but the amounts were not received in the 60-day availability period.

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. Deficits are caused by unavailable revenue.

NOTE C – CASH AND CASH EQUIVALENTS

The Transportation and Transit Funds’ cash and investments are held in the City’s cash and investment pool. The City maintains a cash and investment pool and allocates interest to the various funds based upon average cash balances. Investments held in the City’s investment pool are available on demand to the TDA Funds and are stated at cost, which approximates fair value. The City’s investment policy, interest rate risk and credit risk may be found in the notes to the City’s basic financial statements.

NOTE D – DUE FROM OTHER AGENCIES

Due from other agencies consisted of the following at June 30, 2020:

	Transportation Fund	Transit Fund
Federal CMAQ - Nevada Street Pedestrian and Bicycle Project	\$ 841,677	
Transportation Development Act - LTF	132,747	\$ 73,977
Placer County Water Agency - Nevada Street Pedestrian and Bicycle Project	80,345	
Federal CARES Act - transit operations		88,376
Federal - FTA operating		72,017
State - LCTOP		65,570
Tota due to other agencies	\$ 1,054,769	\$ 299,940

NOTE E – FARE REVENUE RATIO

The City is required under the Transportation Development Act to maintain a fare revenue to operating expenses ratio of 10%. The calculation of the fare revenue ratio for the year ended June 30, 2020, is as follows:

Passenger fare revenues	\$ 18,835
Local support: Mechanics salaries paid by the General Fund	20,030
Total fares, local support and local funds	\$ 38,865
Total expenditures	\$ 1,066,715
Less: Capital outlays	(427,517)
Contractual services	(30,244)
Operating expenses	\$ 608,954
Fare revenue ratio	6.38%

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

June 30, 2020

NOTE E – FARE REVENUE RATIO (Continued)

The City was not in compliance with the 10.00% minimum required fare revenue ratio for the years ended June 30, 2020, 2019 and 2018. The City is subject to a reduction in the allowable TDA allocation during the year ended June 30, 2021 in the amount of \$10,62, which is the difference between the actual fares and the fare necessary to meet the minimum required fare revenue ratio during the year ended June 30, 2019. Assembly Bill No. 90 (AB 90) prohibits the implementation of a penalty for failure to meet the required minimum fare revenue ratio during the years ending June 20, 2020 and 2021. No penalties will be applied to future years for the failure to meet the required fare revenue ratio during these fiscal years.

NOTE F – PENSION PLAN

The City’s Transit Fund employees participate in a cost sharing multiple-employer defined benefit pension plan administered by CalPERS made up of a number of Risk Pools and rate plans. The Transit Fund employees participate in the Miscellaneous Risk Pool. Information is available about the City’s pension plan in the City’s Comprehensive Annual Financial Report. The pension liability is only reflected in the City’s government-wide financial statements and not in the Transit Fund. Pension contributions by the Transit Fund for the year ended June 30, 2020 were \$75,341, which are reported as part of salaries and benefits expenditures.

NOTE G – RISK MANAGEMENT

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

NOTE H – TRANSFERS

The transfers in the Transportation Fund consisted of \$500,000 transferred from the General Fund to cover the Nevada Street Pedestrian and Bicycle Project expenses. The transfers out in the Transit Fund consisted of \$23,494 transferred to the General Fund for debt service payments on the City’s pension obligation bonds.

NOTE I – OTHER STATE PROGRAMS

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.

As of June 30, 2020, funds received and expended were verified in the course of the audit as follows:

PTMISEA beginning balance	\$	17,943
Expenditures incurred - bus shelters		<u>(17,943)</u>
PTMISEA unexpended proceeds at June 30, 2020	\$	<u><u>-</u></u>

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

June 30, 2020

NOTE I – OTHER STATE PROGRAMS (Continued)

Low Carbon Transit Operations Program (LCTOP): The LCTOP is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities. Approved projects in LCTOP support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. The program is administered by Caltrans in coordination with Air Resource Board (ARB) and the State Controller’s Office (SCO).

As of June 30, 2020, LCTOP funds received and expended were verified in the course of the audit as follows:

LCTOP beginning balance	\$	-
LCTOP received		86,332
Expenses incurred - electric bus		<u>(86,332)</u>
LCTOP unexpended proceeds	\$	<u> -</u>

NOTE J – CONCENTRATIONS

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

NOTE K – 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.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The extent of the impact of COVID-19 on the City’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the citizens of the City, all of which are uncertain and cannot be predicted. At this point, the full extent to which COVID-19 may impact the financial condition or results of operations is uncertain. Possible effects could be a loss or reduction of revenue sources.



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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 Auburn, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Funds (the Funds) of the City of Auburn (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Funds' financial statements, and have issued our report thereon dated May 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters (including Other State Programs)

As part of obtaining reasonable assurance about whether the Funds' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) funds allocated and received by the City were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of bond funds, as presented in Note H of the financial statements, in accordance with another state program guidelines. However, providing an opinion on compliance with those provisions was not an objective

To the City Council
City of Auburn, California

of our audit, and accordingly, we do not express such an opinion. The results of performing our tests disclosed instances of noncompliance that is required to be reported under *Governmental Auditing Standards*, the TDA or other state program guidelines, which are described in the accompanying schedule of findings and responses as Findings 2020-001 and 2020-002.

The City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

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

May 13, 2021

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2020

COMPLIANCE

CURRENT YEAR FINDINGS

FINDING 2020-001

Criteria: Under Section 6633 of the California Code of Regulations, the City is required to maintain a minimum fare revenue to operating expense ratio of 10% for its transit services.

Condition: The City did not meet the minimum required fare revenue to operating expense ratio for the fiscal years ended June 30, 2020, 2019 and 2018.

Effect: The City is subject to a reduction in the allowable TDA allocation during the year ended June 30, 2021 in the amount of \$10,621, which is the difference between the actual fares and the fare necessary to meet the minimum required fare revenue ratio during the year ended June 30, 2019. Assembly Bill No. 90 (AB 90) prohibits the implementation of a penalty for failure to meet the required minimum fare revenue ratio during the years ending June 20, 2020 and 2021. No penalties will be applied to future years for the failure to meet the required fare revenue ratio during these fiscal years.

Cause: The City's fares from transit operations were 6.38%, 8.13% and 8.26% of operating during the years ended June 30, 2020, 2019 and 2018, respectively. The reduction in fares during the year ended June 30, 2020 was due to the COVID-19 pandemic. This level of fares and local support was not sufficient to meet the minimum required fare revenue ratio.

Recommendation: We recommend the City take steps needed to meet the minimum required fare revenue to operating expense ratio. The minimum ratio may be met with any combination of increased fares, local support and reduced operating expenses.

Management Response: The City is currently evaluating the situation and will take steps needed to ensure the minimum required fare revenue to operating expense ratio is met.

FINDING 2020-002

Criteria: The City's Annual Street Report is required to be filed with the California State Controller's Office by December 1 each year according to California Streets and Highways Code Section 2151.

Condition: The City's Annual Street Report was not filed by the reporting deadline of December 1.

Effect: The City is not in compliance with the Streets and Highways Code.

Cause: The City did not prepare the Annual Street Report by the filing deadline.

Recommendation: We recommend the City ensure the Annual Street Report is filed on a timely basis.

Management's Response: The City will strive to complete this Report on a timely basis.

PRIOR YEAR FINDINGS

FINDING 2019-001

Condition: The City did not meet the minimum required fare revenue to operating expense ratio for the fiscal years ended June 30, 2019 and 2018.

Current Status: Finding 2020-001 is a continuation of this finding.