

CITY OF ROCKLIN
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2020

CITY OF ROCKLIN
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2020

Audited Financial Statements

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Balance Sheets	4
Statements of Revenues, Expenditures and Changes in Fund Balances	5
Notes to Financial Statements	6

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	8
--	---



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 Rocklin, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Funds of the City of Rocklin (the Funds), as of and for 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 Rocklin 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
City of Rocklin, California

Emphasis-of-Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 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

March 15, 2021

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required component of the City's Transportation Development Act (TDA) Funds Annual Financial Report. The purpose of the MD&A is to present a discussion and analysis of the Funds' financial performance during the fiscal year that ended on June 30, 2020. This information, presented in conjunction with the Funds' Financial Statements is intended to provide a comprehensive understanding of the Funds' operations and financial standing.

FISCAL YEAR 2019-20 FINANCIAL ANALYSIS

- Total Fund Assets were \$3,579,336, consisting of Cash and Due from other agencies.
- Total Fund Liabilities were \$594,341. Liabilities are made up of Accounts payable, Retention payable, Accrued salaries and benefits, Due to other funds, and Unearned revenue.
- Total Fund Deferred Inflows were \$205,597. These Deferred Inflows are revenue resources earned but not received until after the 60 day period of availability.
- Total Fund Balance is \$2,779,398, which is restricted for transportation and transit. Total Fund Revenues were \$5,076,891, while Total Fund Expenditures were \$3,051,997 and Other Uses were \$316,842, resulting in a Net increase in Total Funds' Balance of \$1,708,052. See below for analysis of these items.
- The Transit Fund Revenues received were \$612,486. Expenditures of \$723,797 for Bus Transit.
- The Transportation Fund received \$4,460,286 in revenue from Local Transportation Funds and interest. Transportation Fund Expenditures were \$2,122,603 for streets related maintenance and construction. Other Financing Uses were \$316,842 from allocated administrative and engineering.
- The Bicycle and Pedestrian Facilities Fund expended \$205,597 in 2019-20 for the Rocklin Road Walk/Bike project, but did not receive reimbursement in time to be recognized as 2019-20 revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's TDA Funds' Financial Statements are comprised of Fund Financial Statements and Notes to the Financial Statements.

Fund Financial Statements

Fund Financial Statements report the Funds' operations with the focus primarily on the short-term activities of the City's Transportation Development Act funds. The Funds' Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Funds' Financial Statements. The notes can be found immediately following the Funds' Financial Statements.

REQUEST FOR FINANCIAL INFORMATION

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the City Clerk, 3970 Rocklin Road, Rocklin, California, 95677.

CITY OF ROCKLIN
TRANSPORTATION DEVELOPMENT ACT FUNDS

BALANCE SHEETS

June 30, 2020

	Transit Fund	Transportation Fund	Bicycle and Pedestrian Facilities Fund	Total
ASSETS				
Cash and investments		\$ 2,546,992		\$ 2,546,992
Due from other agencies		826,747	\$ 205,597	1,032,344
TOTAL ASSETS	\$ -	\$ 3,373,739	\$ 205,597	\$ 3,579,336
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable		\$ 301,179	\$ 179,569	\$ 480,748
Retention payable		1,183	9,451	10,634
Accrued salaries and benefits		5,868		5,868
Due to other funds	\$ 39,968		16,577	56,545
Unearned revenue		40,546		40,546
TOTAL LIABILITIES	39,968	348,776	205,597	594,341
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue			205,597	205,597
FUND BALANCES				
Restricted for streets and roads projects		3,024,963		3,024,963
Deficit	(39,968)		(205,597)	(245,565)
TOTAL FUND BALANCES	(39,968)	3,024,963	(205,597)	2,779,398
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ 3,373,739	\$ 205,597	\$ 3,579,336

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

CITY OF ROCKLIN
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2020

	Transit Fund	Transportation Fund	Bicycle and Pedestrian Facilities Fund	Total
REVENUES				
Local Transportation Funds:				
Transit	\$ 142,748			\$ 142,748
Streets and roads		\$ 4,450,609		4,450,609
Pedestrian and bicycle			\$ 4,119	4,119
State Transit Assistance	469,738			469,738
Interest revenues		9,677		9,677
TOTAL REVENUES	612,486	4,460,286	4,119	5,076,891
EXPENDITURES				
Purchased transit	723,797			723,797
Bicycle and pedestrian			205,597	205,597
Streets and roads:				
Administration and engineering		293,719		293,719
Maintenance		1,692,878		1,692,878
Construction		136,006		136,006
TOTAL EXPENDITURES	723,797	2,122,603	205,597	3,051,997
OTHER FINANCING SOURCES (USES)				
Transfers out		(316,842)		(316,842)
TOTAL OTHER FINANCING USES		(316,842)		(316,842)
NET CHANGE IN FUND BALANCES	(111,311)	2,020,841	(201,478)	1,708,052
Fund balances, beginning of the year	71,343	1,004,122	(4,119)	1,071,346
FUND BALANCES, END OF THE YEAR	\$ (39,968)	\$ 3,024,963	\$ (205,597)	\$ 2,779,398

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

CITY OF ROCKLIN
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – ORGANIZATION

The City of Rocklin (the City) receives funds from the Placer County Transportation Planning Agency (PCTPA) under the provisions of the Transportation Development Act (TDA) from the Placer County Local Transportation Fund (LTF) under Article 8, Section 99400(a) and 99400(c) and Article 3, Section 99234, and the State Transit Assistance Fund under Article 4, Section 6731(b). The funds represent amounts needed to meet the transportation needs of the City not otherwise met. The STAF Funds are to be used for public transit purposes only.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fund Accounting: The accounts of the City are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The City utilizes the special revenue fund type of the governmental fund group to account for the activities of the Funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following funds are used by the City to account for its TDA and other State program funds:

SB 325 Sales Tax Funds:

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

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

Bicycle and Pedestrian Facilities Fund: The Bicycle and Pedestrian Facilities Fund accounts for the expenditure of Local Transportation Funds which have been allocated for the purpose of bicycle and pedestrian facilities.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources 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 generally 60 days for the Transit and Transportation Funds. TDA Funds are recognized when all eligibility requirements have been met and the amounts are received within 60 days. 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 ROCKLIN
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020

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.

Short-term Interfund Receivables/Payables: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due to other funds” and “due from other funds” on the balance sheet. The “due to other funds” represents a cash subsidy by the City’s General Fund pending collection of the amounts due from other agencies.

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 TDA revenues for which all eligibility requirements had been met at year-end, but the amounts were not received from PCTPA within 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.

NOTE C – CASH AND INVESTMENTS

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

NOTE D – FARE REVENUE RATIO

Transit operators are required to maintain a fare revenue to operating expenses ratio in order to be eligible for TDA funding. Since the City contracts with Placer County Transit for its transit services, no fare revenues are recorded in the City of Rocklin’s Transit Fund financial statements. A fare revenue ratio is calculated for Placer County in the Placer County Transit audited financial statements.

NOTE E – TRANSFERS

During the year ended June 30, 2020, the City transferred \$316,842 from the Transportation Fund to the City’s General Fund for indirect costs.



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

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 Rocklin, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Funds of the City of Rocklin (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 15, 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 the City's internal control.

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

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

Compliance and Other Matters (including Other State Program Guidelines)

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act (TDA) funds allocated and received by the City were expended in conformance with the applicable statutes, rules and regulations of the TDA and Sections 6666 and 6667 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of bond funds in accordance with other state program guidelines. However,

To the City Council
City of Rocklin, California

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 15, 2021