

CITY OF ROCKLIN
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2023

CITY OF ROCKLIN

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Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Rocklin, California

Opinions

We have audited the accompanying financial statements of the Transportation Development Act Funds of the City of Rocklin (the Funds), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

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, 2023, and, the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Transportation Development Act Funds of the City of Rocklin, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the Transportation Development Act Fund of the City of Rocklin and do not purport to and do not, present fairly the financial position of the City as of June 30, 2023, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting

To the City Council
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from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Transportation Development Act Funds of the City of Rocklin's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2024 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, and the Transportation Development Act. 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 11, 2024

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, 2023. 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 2022-23 FINANCIAL ANALYSIS

- Total Fund Assets were \$7,096,314, consisting of Cash and investments.
- Total Fund Liabilities were \$492,390. Liabilities are made up of Accounts payable, Accrued salaries and benefits, and Unearned revenue.
- Total Fund Balance is \$6,603,924, which is restricted for streets, roads, and transit. Total Fund Revenues were \$6,406,605, while Total Fund Expenditures were \$3,930,968 and Other Uses were \$504,633, resulting in a net increase in Total Funds' Balance of \$1,971,004. See below for analysis of these items.
- The Transit Fund Revenues received were \$688,582. Expenditures of \$516,499 were for Bus Transit. Expenditures decreased 12.5% from prior year due to the service provider receiving funding credits from the annual Federal Transit Administration (FTA) 5307 funds, California State of Good Repair funds and FTA CARES Act funds to partially offset the cost charged to City of Rocklin.
- The Transportation Fund received \$5,649,555 in revenue from Local Transportation Funds and interest. Transportation Fund Expenditures were \$3,344,469 for streets related maintenance, construction and administration. Other Financing Uses were \$504,633 from allocated indirect costs. Expenditures increased 10.2% from prior year due increased supply and labor costs.
- The Bicycle and Pedestrian Facilities Fund received revenue of \$70,000 to pay for the expenditures of \$70,000 for a project to connect a newly renovated pedestrian and bicycle trail to the street sidewalk.

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, 2023

	Transit Fund	Transportation Fund	Bicycle and Pedestrian Facilities Fund	Total
ASSETS				
Cash and investments	\$ 294,256	\$ 6,730,407	\$ 70,000	\$ 7,094,663
Due from other agencies		1,532		1,532
Prepaid expense		119		119
	<u>\$ 294,256</u>	<u>\$ 6,732,058</u>	<u>\$ 70,000</u>	<u>\$ 7,096,314</u>
TOTAL ASSETS				
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable		\$ 351,642	\$ 70,000	\$ 421,642
Accrued salaries and benefits		30,202		30,202
Unearned revenue		40,546		40,546
		<u>422,390</u>	<u>70,000</u>	<u>492,390</u>
TOTAL LIABILITIES				
FUND BALANCES				
Restricted for streets and roads projects		6,309,668		6,309,668
Restricted for transit services	\$ 294,256			294,256
	<u>294,256</u>	<u>6,309,668</u>	<u></u>	<u>6,603,924</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 294,256</u>	<u>\$ 6,732,058</u>	<u>\$ 70,000</u>	<u>\$ 7,096,314</u>

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, 2023

	Transit Fund	Transportation Fund	Bicycle and Pedestrian Facilities Fund	Total
REVENUES				
Local Transportation Funds:				
Transit	\$ 21,863			\$ 21,863
Streets and roads		\$ 5,564,624		5,564,624
Pedestrian and bicycle			\$ 70,000	70,000
State Transit Assistance	666,719			666,719
Interest revenues		83,399		83,399
Federal grants		1,532		
TOTAL REVENUES	688,582	5,649,555	70,000	6,406,605
EXPENDITURES				
Purchased transit	516,499			516,499
Streets and roads:				
Administration and engineering		434,713		434,713
Maintenance		1,489,924	70,000	1,559,924
Construction		1,419,832		1,419,832
TOTAL EXPENDITURES	516,499	3,344,469	70,000	3,930,968
OTHER FINANCING SOURCES (USES)				
Transfers out		(504,633)		(504,633)
TOTAL OTHER FINANCING USES	-	(504,633)	-	(504,633)
NET CHANGE IN FUND BALANCES	172,083	1,800,453		1,971,004
Fund balances, beginning of the year	122,173	4,509,215	-	4,631,388
FUND BALANCES, END OF THE YEAR	\$ 294,256	\$ 6,309,668	\$ -	\$ 6,602,392

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

CITY OF ROCKLIN
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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), 99400(c) and 99402 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. Transit services in the City are provided by Placer County.

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.

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.

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.

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

June 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023, the City transferred \$504,633 from the Transportation Fund to the City's General Fund for indirect costs.



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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 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, 2023, 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 11, 2024.

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 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 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 in accordance with other state program 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 other state program guidelines.

To the City Council
City of Rocklin, California

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 11, 2024