

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2023

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
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June 30, 2023

Audited Financial Statements

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

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 the Other State Program Guidelines.....	9
Schedule of Findings and Responses.....	11



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INDEPENDENT AUDITOR'S REPORT

To the City Council
Auburn, California

Report on the Audit of the Financial Statements

Opinions

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, 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 respective financial position of the Transportation Development Act Funds of the City of Auburn, as of June 30, 2023, and the respective 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 Auburn 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 opinions.

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the Transportation Development Act Fund 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, 2023 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 opinions. 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 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

To the City Council
Auburn, California

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 and *Government 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 Auburn'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

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic 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 25, 2024, on our consideration of the Transportation Development Act Funds of the City of Auburn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Transportation Development Act Funds of the City of Auburn's 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 Transportation Development Act Funds of the City of Auburn's internal control over financial reporting and compliance.

Richardson & Company, LLP

March 25, 2024

CITY OF AUBURN

TRANSPORTATION DEVELOPMENT ACT FUNDS

BALANCE SHEETS

June 30, 2023

	Transportation Fund	Transit Fund
ASSETS		
Cash and investments	\$ 189,730	
Due from other agencies	311,881	\$ 911,018
Due from other funds		12,684
	<u>501,611</u>	<u>923,702</u>
TOTAL ASSETS	\$ 501,611	\$ 923,702
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 262,253	\$ 5,337
Salaries and benefits payable		19,834
Due to other funds	12,684	1,097,546
	<u>274,937</u>	<u>1,122,717</u>
TOTAL LIABILITIES	\$ 274,937	\$ 1,122,717
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	6,382	4,239
	<u>6,382</u>	<u>4,239</u>
FUND BALANCES		
Unassigned (deficit)	220,292	(203,254)
	<u>220,292</u>	<u>(203,254)</u>
TOTAL FUND BALANCES (DEFICIT)	\$ 220,292	\$ (203,254)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 501,611	\$ 923,702

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, 2023

	Transportation Fund	Transit Fund
REVENUES		
Local Transportation Funds:		
Streets and roads	\$ 877,403	
Regional Service Transportation Program	350,935	
Transit		\$ 1,394,452
Other federal, state and local grants:		
Federal grants		60,378
State Transit Assistance		128,439
State of Good Repair		34,006
Fares		59,018
Other revenues		195
TOTAL REVENUES	1,229,486	1,676,488
EXPENDITURES		
Streets and roads projects	1,599,905	
Salaries and benefits	58,031	655,406
Maintenance, materials and supplies	9,721	97,920
Insurance	5,574	65,664
Fuel		48,988
Capital outlay		309,734
TOTAL EXPENDITURES	1,673,231	1,177,712
OTHER FINANCING SOURCES (USES)		
Transfers in	500,000	
Transfers out		(54,464)
TOTAL OTHER FINANCING SOURCES (USES)	500,000	(54,464)
NET CHANGE IN FUND BALANCES	56,255	444,312
Fund balances, beginning of year	164,037	(647,566)
FUND BALANCES (DEFICIT), END OF YEAR	\$ 220,292	\$ (203,254)

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

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 Transit Fund at June 30, 2023 consisted of cash subsidies of the Funds by other City Funds to eliminate cash deficits. The "due to other funds" in the Transportation Fund at June 30, 2023 is owed to the Transit Fund for revenue that should have been recorded in the Transit Fund.

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

June 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023:

	Transportation Fund	Transit Fund
Transportation Development Act - LTF	\$ 311,881	\$ 765,615
Transportation Development Act - STA		128,439
State of Good Repair		16,964
Total due from other agencies	\$ 311,881	\$ 911,018

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, 2023, is as follows:

Passenger fare revenues	\$ 59,018
Local support: Mechanics salaries paid by the General Fund	18,054
Federal and local operating funds	60,378
Local funds - proceeds from sale of assets	195
Total fares, local support and local funds	\$ 137,645
Operating expenses	1,232,176
Less: Capital outlays	(309,734)
Contractual services	26,846
Operating expenses	\$ 949,288
Fare revenue ratio	14.50%

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

June 30, 2023

NOTE E – FARE REVENUE RATIO (Continued)

The City complied with the required 10% fare revenue for the year ended June 30, 2023. AB 149 permits the inclusion of federal funds as local support, which allows the City to meet its fare revenue ratio.

NOTE F –STATE OF GOOD REPAIR

The State of Good Repair (SGR) was established by the California Legislature in 2017 by Senate Bill 1. SGR is a program that provides public transportation agencies with a consistent and dependable revenue source to invest in the upgrade, repair and improvement of the transportation infrastructure and improve transportation services. The City was allocated \$16,964 during the year ended June 30, 2023 for purchase of zero emission buses. No amounts were expended. As of June 30, 2021, funds receivable were as follows:

Balance receivable at beginning of year	\$ 17,043
SGR funds received	(17,043)
SGR funds allocated	16,964
Balance receivable at end of year	\$ 16,964

NOTE G – 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, 2023 were \$40,295, which are reported as part of salaries and benefits expenditures.

NOTE H – 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 I – TRANSFERS

The transfers out in the Transit Fund consisted of \$54,464 transferred to the General Fund for debt service payments on the City’s pension obligation bonds.

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.

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

June 30, 2023

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.

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, 2023, and the related notes to the financial statements, which collectively comprise the Funds' financial statements, and have issued our report thereon dated March 25, 2024.

Report on 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. 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.

Report on 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 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 Section 6667 of the California Code of Regulations. 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 performing our tests disclosed one instance of noncompliance that is required to be reported under *Governmental Auditing Standards* or the TDA, as Finding 2023-001.

To the City Council
City of Auburn, 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 25, 2024

CITY OF AUBURN
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

COMPLIANCE

CURRENT YEAR FINDINGS

FINDING 2023-001

Criteria: The City's Annual Transit Report is required to be filed with the California State Controller's Office by February 1 each year according to Public Utilities Code (PUC) Section 99243(a).

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

Effect: The City is not in compliance with the PUC.

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

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

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