



Budget and Audit Committee Report

915 I Street, 1st Floor

Sacramento, CA 95814

www.cityofsacramento.org

File ID: 2018-01745

March 5, 2019

Consent Item 02

Title: Fiscal Year 2017/18 Transportation Development Act Fund Audited Financial Statements and Compliance Report

Location: Citywide

Recommendation: Pass a Motion accepting and forwarding to City Council the Fiscal Year (FY) 2017/18 Transportation Development Act Fund Audited Financial Statements and Compliance Report.

Contact: Osvaldo Lopez, Accounting Manager, (916) 808-4740; Dawn Holm, Director, (916) 808-5574, Department of Finance

Presenter: None

Attachments:

1-Description/Analysis

2-TDA Audited Financials and Independent Auditor's Report

Description/Analysis

Issue Detail: The FY2017/18 Transportation Development Act (TDA) Fund Audited Financial Statements and Compliance Report has been prepared to present the financial results of the TDA Fund for the fiscal year that ended June 30, 2018.

Policy Considerations: This report is consistent with the City's fiscal transparency and accountability principles and is required by the Sacramento Area Council of Governments (SACOG) for the receipt of funds.

Economic Impacts: None.

Environmental Considerations:

California Environmental Quality Act (CEQA): This recommendation does not constitute a "project" as it involves only organizational or administrative activities that will not result in direct or indirect physical changes in the environment. It is therefore not subject to CEQA. (CEQA Guidelines sections 15061 (b)(1) and 15378(b)(3)).

Sustainability: Not applicable.

Commission/Committee Action: None.

Rationale for Recommendation: It is in the best interest of the City Council to receive and file the FY2017/18 TDA Fund Audited Financial Statements and Compliance Report for the following reasons:

- This report is required by the SACOG, the transportation planning agency administering TDA funds.
- The public accounting firm of Richardson & Company LLP has audited the City's TDA Fund FY2017/18 financial statements and has rendered its unmodified opinion that the financial statements are fairly presented in accordance with generally accepted accounting principles.

Financial Considerations: There are no financial considerations associated with this report.

Local Business Enterprise (LBE): Not applicable.

**CITY OF SACRAMENTO
TRANSPORTATION DEVELOPMENT ACT FUND**

Audited Financial Statements
and Compliance Report

June 30, 2018

CITY OF SACRAMENTO
TRANSPORTATION DEVELOPMENT ACT FUND

Audited Financial Statements
and Compliance Report

June 30, 2018 and 2017

Audited Financial Statements

Independent Auditor's Report	1
Balance Sheets	3
Statements of Revenues, Expenditures and Changes in Fund Balance.....	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> and the Transportation Development Act.....	7
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Fund (the Fund) of the City of Sacramento (the City) as of and for years ended June 30, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation Development Act Fund of the City of Sacramento as of June 30, 2018 and 2017, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Sacramento, California

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the Transportation Development Act Fund of the City of Sacramento and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2018 and 2017, the changes in financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management’s discussion and analysis and budgetary comparison information 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 January 18, 2019 on our consideration of the County’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

January 18, 2019

CITY OF SACRAMENTO
TRANSPORTATION DEVELOPMENT ACT FUND

BALANCE SHEETS

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and investments	\$ 561,143	\$ 364,806
Due from other governments		<u>29,002</u>
TOTAL ASSETS	<u>\$ 561,143</u>	<u>\$ 393,808</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 469,428	\$ 85,910
TOTAL LIABILITIES	<u>469,428</u>	<u>85,910</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue		6,455
TOTAL DEFERRED INFLOWS OF RESOURCES		<u>6,455</u>
 FUND BALANCE		
Restricted for pedestrian and bicycle facilities	91,715	301,443
TOTAL FUND BALANCE	<u>91,715</u>	<u>301,443</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 561,143</u>	<u>\$ 393,808</u>

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

CITY OF SACRAMENTO
TRANSPORTATION DEVELOPMENT ACT FUND

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the Years Ended June 30, 2018 and 2017

	2018	2017
REVENUES		
Local Transportation Fund	\$ 399,956	\$ 375,563
Interest	5,012	3,283
	404,968	378,846
EXPENDITURES		
Pedestrian and bicycle facilities	614,696	758,489
	614,696	758,489
NET CHANGE IN FUND BALANCE	(209,728)	(379,643)
Fund balance at beginning of year	301,443	681,086
FUND BALANCE AT END OF YEAR	\$ 91,715	\$ 301,443

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

CITY OF SACRAMENTO
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE A – ORGANIZATION

The City of Sacramento (the City) receives funds under the provisions of the Transportation Development Act (TDA) from the Sacramento County Local Transportation Fund (LTF) under Article 3, Section 99234 for pedestrian and bicycle facilities. These funds represent amounts set aside by the Sacramento Area Council of Governments, the transportation planning agency administering TDA funds, to be allocated for pedestrian and bicycle facilities within the jurisdictions of Sacramento County and represent up to 2% of the available funds countywide. The City of Sacramento's Transportation Development Act Fund is used to account for these TDA funds received by the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Transportation Development Act Fund (the Fund) of the City of Sacramento have been prepared in conformity with generally accepted accounting principles 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 Fund. The Fund is included in the financial statements of the City.

Fund Accounting: The accounts of the City are organized on the basis of funds or account groups. A fund or account group 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 Fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

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 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. LTF revenues are recognized when all eligibility requirements have been met. The amount reported as deferred inflows of resources represents amounts that do not meet both the "measurable" and "available" criteria for recognition in the current period. Expenditures are recorded when the related fund liability is incurred.

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

Deferred Inflows of Resources: Deferred inflows of resources in governmental funds arises 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 revenues for which all eligibility requirements had been met at year end, but the amounts were not received from SACOG 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.

CITY OF SACRAMENTO
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2018 and 2017

NOTE C – CASH AND INVESTMENTS

Investment Policy: The City’s investment policy may be found in the notes to the City’s basic financial statements.

Investment in the City’s Investment Pool: The Fund’s cash is held in the City of Sacramento Treasury. The City maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the City’s investment pool are available on demand to the Fund and are stated at cost, which approximates fair value.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2018 and 2017, the weighted average maturity of the investments contained in the City’s investment pool was approximately 1.92 years and 2.11 years, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City’s investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government’s indirect deposits or investment in securities through the use of government investment pools (such as the City’s investment pool).

NOTE D – DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following at June 30:

	2018	2017
Transportation Development Act:		
Local Transportation Fund		
Fiscal year 2016/17		\$ 29,002
Total due from other governments	\$ -	\$ 29,002

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*
AND THE TRANSPORTATION DEVELOPMENT ACT

To the City Council
City of Sacramento, 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 Fund (the Fund) of the City of Sacramento (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 18, 2019.

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

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 Section 6666 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 our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the TDA.

To the City Council
City of Sacramento, 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the TDA in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

January 18, 2019