



City of Sacramento City Council

915 I Street, Sacramento, CA, 95814
www.CityofSacramento.org

Meeting Date: 1/29/2013

Report Type: Consent

Title: Fiscal Year 2011/12 Transportation Development Act Fund Audit Report

Report ID: 2013-00084

Location: Citywide

Recommendation: Receive and file.

Contact: Dennis Kauffman, Finance Manager, (916) 808-5843, Finance Department

Presenter: None.

Department: Finance

Division: Accounting Division

Dept ID: 06001311

Attachments:

1-Description/Analysis

2-TDA Fund Audit Report 2012

3-Report to the City Council and Management 2012

City Attorney Review

Approved as to Form
Grace Arupo
1/23/2013 8:06:16 AM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Russell Fehr
1/22/2013 10:29:25 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein 1/22/2013; 11:23:36 a.m.

Description/Analysis

Issue: The Fiscal Year (FY) 2011/12 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, 2012. The Auditor's Report to the City Council and Management provides additional information about the FY2011/12 TDA Fund audit.

Policy Considerations: This report is consistent with the City's fiscal transparency and accountability principles.

Environmental Considerations:

California Environmental Quality Act (CEQA): This recommendation does not constitute a "project" and is therefore exempt from the California Environmental Quality Act according to CEQA guidelines Section 15061 (b)(1) and 15378(b)(3).

Sustainability Considerations: Not Applicable

Commission/Committee Action: None

Rationale for Recommendation: It is in the best interest of the City Council to receive and file the FY2011/12 TDA Fund Audited Financial Statements and Compliance Report for the following reasons:

- This report is required by the Sacramento Area Council of Governments (SACOG), the transportation planning agency administering TDA funds.
- The public accounting firm of Richardson & Company has audited the City's TDA Fund FY2011/12 financial statements and has rendered its unqualified opinion that the financial statements are fairly presented in accordance with generally accepted accounting principles.
- The auditors reported one audit finding in the Auditor's Report to the City Council and Management regarding the accumulated fund balance restricted for pedestrian and bicycle facilities. The auditors recommend the City work with SACOG during the claim process to ensure that projects are identified for the use of the fund balance before claiming any additional TDA apportionments.

Financial Considerations: The Departments of Finance, Public Works and Parks and Recreation are working together to address the identified audit finding which will maximize the resources available for maintenance of the City's bike and pedestrian facilities. There are no other financial considerations associated with this report

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report.



**CITY OF SACRAMENTO
TRANSPORTATION DEVELOPMENT ACT FUND**

Audited Financial Statements
and Compliance Report

June 30, 2012

CITY OF SACRAMENTO
TRANSPORTATION DEVELOPMENT ACT FUND

Audited Financial Statements
and Compliance Report

June 30, 2012 and 2011

Audited Financial Statements

Independent Auditor's Report	1
Balance Sheets	2
Statements of Revenues, Expenditures and Changes in Fund Balance.....	3
Notes to Financial Statements	4

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.....	6
---	---

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Sacramento, California

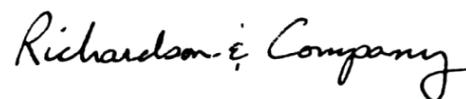
We have audited the accompanying financial statements of the City of Sacramento's Transportation Development Act Fund as of and for the year ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Sacramento's management. Our 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note B, these financial statements present only the City of Sacramento's Transportation Development Act Fund and are not intended to present fairly the financial position and results of operations of the City of Sacramento in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Sacramento's Transportation Development Act Fund as of June 30, 2012 and 2011, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2012, on our consideration of the City of Sacramento's internal control over financial reporting related to the City of Sacramento's Transportation Development Act Fund and 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* and should be considered in assessing the results of our audit.



December 26, 2012

CITY OF SACRAMENTO
TRANSPORTATION DEVELOPMENT ACT FUND

BALANCE SHEETS

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and investments	\$ 920,828	\$ 871,367
Due from other governments	<u>39,250</u>	<u>270,420</u>
TOTAL ASSETS	<u><u>\$ 960,078</u></u>	<u><u>\$ 1,141,787</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 6,570	\$ 44,172
Deferred revenue	<u>39,250</u>	<u>270,420</u>
TOTAL LIABILITIES	<u>45,820</u>	<u>314,592</u>
 FUND BALANCE		
Restricted for pedestrian and bicycle facilities	<u>914,258</u>	<u>827,195</u>
TOTAL FUND BALANCE	<u>914,258</u>	<u>827,195</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 960,078</u></u>	<u><u>\$ 1,141,787</u></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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Local Transportation Fund	\$ 563,021	\$ 568,281
Interest	18,330	19,465
	<u>581,351</u>	<u>587,746</u>
 EXPENDITURES		
Pedestrian and bicycle facilities	494,288	664,814
	<u>494,288</u>	<u>664,814</u>
CHANGE IN NET ASSETS	87,063	(77,068)
 Fund balance at beginning of year	<u>827,195</u>	<u>904,263</u>
FUND BALANCE AT END OF YEAR	<u>\$ 914,258</u>	<u>\$ 827,195</u>

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

CITY OF SACRAMENTO
TRANSPORTATION DEVELOPMENT ACT FUND
NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

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 City of Sacramento's Transportation Development Act Fund (the Fund) 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 and current liabilities 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 revenue 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 Revenue: Deferred revenue 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 revenue 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, 2012 and 2011

NOTE C – CASH AND INVESTMENTS

Investment Policy: The City of Sacramento’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, 2012 and June 30, 2011, the weighted average maturity of the investments contained in the City’s investment pool was approximately 1.89 years and 1.42 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:

	2012	2011
Transportation Development Act:		
Local Transportation Fund		
Fiscal Year 2011/12	\$ 39,250	
Fiscal Year 2010/11		\$ 270,420
	\$ 39,250	\$ 270,420
Total due from other governments		

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 the financial statements of the City of Sacramento's Transportation Development Act Fund as of and for the year ended June 30, 2012 and have issued our report thereon dated December 26, 2012. 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.

Internal Control Over Financial Reporting

Management of the City of Sacramento is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 funds allocated to and received by the City were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act and Section 6666 of the California Code of Regulations. The results of performing these tasks disclosed no material instances of noncompliance with the applicable statutes, results and regulations of the Transportation Development Act. 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 material instances of noncompliance with *Government Auditing Standards*.

To the City Council
City of Sacramento, California

We noted certain matters that we communicated to the City's management in a separate letter dated December 26, 2012.

This report is intended solely for the information and use of management, the City Council, the Sacramento Area Council of Governments, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company

December 26, 2012



Richardson & Company

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

To the City Council and Management
Sacramento, California

In planning and performing our audit of 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, 2012 in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) over the Fund 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 over the Fund. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over the Fund.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

We did note the following matter that is presented below for your consideration:

Fund Balance

We noted the fund has accumulated a substantial fund balance restricted for pedestrian and bicycle facilities. We recommend that the City work with SACOG during the claim process to ensure that projects are identified for the use of the fund balance before claiming any additional TDA apportionments.

* * * * *

This communication is intended solely for the information and use of management, the City Council and the Sacramento Area Council of Governments and is not intended to be and should not be, used by anyone other than these specified parties.

December 26, 2012