

**City of Nevada City
Transportation
Development Act Fund**

Nevada City, California

**Financial Statements and
Independent Auditors' Reports and
Schedule of RTMF Proceeds**

For the Years Ended June 30, 2022 and 2021

**City of Nevada City Transportation Development Act Fund
Financial Statements
For the Years Ended June 30, 2022 and 2021**

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INDEPENDENT AUDITORS' REPORT

To the City Council
of the City of Nevada City
City of Nevada City, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transportation Development Act Fund (the "TDA Fund") of the City of Nevada City (the "City"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the TDA Fund's 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 TDA Fund, as of June 30, 2022 and 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 TDA Fund, 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.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the TDA Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditing standards generally accepted in the United States of America 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 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 auditing standards generally accepted in the United States of America 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 TDA Fund'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the TDA Fund's ability to continue as a going concern for a reasonable period of time.

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 the management's discussion and analysis 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 operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the TDA Fund's basic financial statements. The Schedule of Regional Transportation Mitigation Fee Proceeds, as listed in the table of contents, is presented for purposes of additional analysis as required by the Transportation Development Act and the *California Code of Regulations* and is not a required part of the basic financial statements.

To the City Council
of the City of Nevada City
City of Nevada City, California
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The Schedule of Regional Transportation Mitigation Fee Proceeds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Regional Transportation Mitigation Fee Proceeds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023 on our consideration of the City's internal control over financial reporting as it relates to the TDA Fund and 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 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 as it relates to the TDA Fund.

A handwritten signature in black ink that reads "The Pen Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
March 31, 2023

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BASIC FINANCIAL STATEMENTS

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City of Nevada City Transportation Development Act Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 2022 and 2021

	2022	2021
REVENUES		
Local Transportation Fund - pedestrian/bicycle	\$ -	\$ 34,000
Local participation funding from NCTC	7,500	7,500
Regional Surface Transportation Program (RSTP)	-	86,000
Regional Transportation Mitigation Fee (RTMF)	26,862	-
Total operating revenues	34,362	127,500
EXPENDITURES		
Local participation staff time	7,500	7,500
Passthrough payments to Nevada County Transportation Commission	26,862	-
Total operating expenditures	34,362	7,500
Change in fund balance	-	120,000
Fund balance, beginning of year	-	(120,000)
Fund balance, end of year	\$ -	\$ -

City of Nevada City Transportation Development Act Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local participation funding from NCTC	\$ 7,500	\$ 7,500	\$ 7,500	\$ -
Regional Transportation Mitigation Fee (RTMF)	-	-	26,862	26,862
Total operating revenues	<u>7,500</u>	<u>7,500</u>	<u>34,362</u>	<u>26,862</u>
EXPENDITURES				
Local participation staff time	7,500	7,500	7,500	-
RTMF passthrough payments	-	-	26,862	(26,862)
Total operating expenditures	<u>7,500</u>	<u>7,500</u>	<u>34,362</u>	<u>(26,862)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ 53,724</u>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ -</u>	

NOTES TO THE FINANCIAL STATEMENTS

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City of Nevada City Transportation Development Act Fund
Notes to the Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Transportation Development Act Fund (the “TDA Fund”) of the City of Nevada City (the “City”), California, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies are described below.

A. Reporting Entity

The TDA Fund receives restricted allocations from the Nevada County Transportation Commission (the “Commission”) for the purpose of transit services, street and road infrastructure improvements, and pedestrian and bicycle related projects.

The financial statements are intended to reflect the financial position and results of operations of the TDA Fund with the laws, rules, and regulations of the Transportation Development Act (the “TDA”). They do not present the financial position of the City as of June 30, 2022 and 2021, and the changes in its financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

B. Basis of Presentation

The accounts of the TDA Fund are organized and operated on the fund accounting basis and are considered to be a separate accounting entity. The operations of the TDA Fund are accounted for with a separate set of self-balancing accounts that comprise the TDA Fund’s assets, liabilities, fund balance, revenues, and expenditures.

C. Measurement Focus and Basis of Accounting

The TDA Fund’s financial activity is accounted for in a governmental (special revenue) fund. Special revenue funds are used to account for the proceeds of specific revenue sources that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Revenues are estimated and annual appropriations are adopted for the TDA Fund. All annual appropriations lapse at fiscal year-end. The legal level of budgetary control (level at which expenditures may not exceed budget) is at the fund level for the TDA Fund.

City of Nevada City Transportation Development Act Fund
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

E. Grants

Grant revenues are recorded when all eligibility requirements have been met. Grant sources include primarily Local Transportation Fund (“LTF”) revenue. LTF was created by the State Legislature under the Transportation Development Act and the City’s allocations are paid directly to Nevada County per joint powers agreement. Other revenues include Regional Surface Transportation Program (“RSTP”), Regional Transportation Mitigation Fee (“RTMF”) funding, and local participation funding from Nevada County Transportation Commission (“NCTC”).

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 – Contingent Liabilities

The TDA Fund receives substantially all of its revenues from the State of California (passed through the City). Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the TDA Fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

SUPPLEMENTARY INFORMATION

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City of Nevada City Transportation Development Act Fund
Schedule of Regional Transportation Mitigation Fee Proceeds
For the Year Ended June 30, 2022

Unexpended Proceeds - July 1, 2021	<u>\$ -</u>
RTMF proceeds received - year ended June 30, 2022	<u>26,862</u>
Expenditures incurred:	
Passthrough payments to Nevada County Transportation Commission	<u>26,862</u>
Total expenditures incurred	<u>26,862</u>
Unexpended Proceeds - June 30, 2022	<u><u>\$ -</u></u>

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COMPLIANCE SECTION

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**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***

Independent Auditors' Report

To the City Council
of the City of Nevada City
City of Nevada City, 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 "TDA Fund") of the City of Nevada City (the "City") as of and for the years ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements, and have issued our report thereon dated March 31, 2023. The financial statements present only the TDA Fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2022, and the changes in its financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 it relates to the TDA Fund as a basis for designing 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 as it relates to the TDA Fund. Accordingly, we do not express an opinion on the effectiveness of the City's internal control as it relates to the TDA 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the TDA Fund'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TDA Fund’s financial statements are free from 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. 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*.

In connection with our audit referred to above, we also performed an audit for compliance with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Nevada County Transportation Commission, for the year ended June 30, 2022. In connection with our audit, we performed to the extent applicable, the compliance audit tasks set forth in Section 6666 of the *California Code of Regulations*. The results of performing the tasks specified in Section 6666 disclosed no instances of noncompliance with the applicable statutes, rules, and regulations of the Act, and the allocation instructions and resolutions of the Nevada County Transportation Commission. In our opinion the funds allocated to and received by the TDA Fund for the year ended June 30, 2022, pursuant to the Transportation Development Act, were accounted for and expended in conformance with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Nevada County Transportation Commission.

Also, as part of our audit we performed tests of compliance to determine whether certain funding was received and expended in accordance with the applicable regulations set forth within Section 66000 of the *California Code of Regulations*. The Regional Transportation Mitigation Fee (“RTMF”) Program, adopted in 2016, established a mitigation fee schedule in western Nevada County to finance needed improvements to the regional network of streets and roads to mitigate the impact of increased traffic that will result from new development in western Nevada County. The fee program has been adopted by Grass Valley, Nevada City, and Nevada County and is administered by the Nevada County Transportation Commission (“NCTC”) through agreements with those agencies. The RTMF Program is accounted for in compliance with California Government Code Chapter 5, Fees for Development Projects, Section 66000 et. seq. and applicable agreements, resolutions, and ordinances, and is fairly presented in accordance with generally accepted accounting principles. For the year ended June 30, 2022, the RTMF funds received and expended were verified in the course of our audit are included in the Schedule of Regional Transportation Mitigation Fee Proceeds within the Supplementary Information.

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 to express an opinion on the compliance of the TDA Fund with the Transportation Development Act, the *California Code of Regulations*, and the rules and regulations and allocation instructions of the Nevada County Transportation Commission, and not to provide an opinion on the effectiveness of the TDA Fund’s internal control or on other compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the TDA Fund’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Diego, California
March 31, 2023

SCHEDULE OF FINDINGS AND RESPONSES

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City of Nevada City Transportation Development Act Fund
Schedule of Findings and Responses
For the Years Ended June 30, 2022 and 2021

Section I -- Current Year Findings and Responses

None noted.

Section II -- Prior Year Findings and Responses

None noted.

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