

CITY OF GRASS VALLEY
TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2023

CITY OF GRASS VALLEY
TRANSPORTATION DEVELOPMENT ACT FUNDS

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Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Grass Valley, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transportation Development Act Funds allocated to the City of Grass Valley (the City), 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 Funds of the City as of June 30, 2023 and the changes in financial position for the years 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 City 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 City of Grass Valley Transportation Development Act Fund 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, 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*

To the Town Council
City of Grass Valley, California

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 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 City'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.

Other Matters

The financial statements of the TDA Funds as of June 30, 2022, were audited by other auditors whose report dated March 31, 2023, expressed an unmodified opinion on those statements.

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 April 2, 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 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 City'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 City's internal control over financial reporting and compliance.

Richardson & Company, LLP

April 2, 2024

CITY OF GRASS VALLEY
TRANSPORTATION DEVELOPMENT ACT FUNDS

BALANCE SHEETS

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Due from other governments - (RTMF)	<u>\$ 146,970</u>	<u>\$ 155,061</u>
TOTAL ASSETS	<u>146,970</u>	<u>155,061</u>
LIABILITIES		
Due to other funds	<u>146,970</u>	<u>155,061</u>
TOTAL LIABILITIES	<u>146,970</u>	<u>155,061</u>
FUND BALANCE		
Restricted for transportation-related expenditures	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 146,970</u></u>	<u><u>\$ 155,061</u></u>

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

CITY OF GRASS VALLEY
TRANSPORTATION DEVELOPMENT ACT FUNDS

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Years Ended June 30, 2023 and 2022

	2023	2022
REVENUES		
Local participation funding from NCTC	\$ 3,528	\$ 3,506
Regional Transportation Mitigation Fee (RTMF) allocated for projects	201,747	307,667
RTMF fees collected	114,833	56,527
Regional Surface Transportation Program (RSTP)		150,000
TOTAL REVENUES	320,108	517,700
EXPENDITURES		
Local participation staff time	3,528	3,506
Project reimbursements	201,747	307,667
RTMF fees passed through to NCTC	114,833	56,527
Annual street rehabilitation (RSTP)		150,000
TOTAL EXPENDITURES	320,108	517,700
NET CHANGE IN FUND BALANCES	-	-
Fund balances at beginning of year		
FUND BALANCES AT END OF YEAR	\$ -	\$ -

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

CITY OF GRASS VALLEY
TRANSPORTATION DEVELOPMENT ACT FUNDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE A – ORGANIZATION

The City of Grass Valley (the City) receives funds from the Nevada County Transportation Commission (NCTC) under the provisions of the Transportation Development Act (TDA) from the Nevada County Local Transportation Fund (LTF) under Article 8, Section 99400(a) for streets and roads, only after NCTC determines there are no unmet transportation needs. Transit services in the City are provided by Nevada County through a Joint Powers Agreement between the cities of Grass Valley and Nevada City and the County of Nevada. As a result, at June 30, 2023 and 2022, all of the City's LTF allocations were provided directly to Nevada County for transit services.

The City also receives allocations from NCTC from the Regional Surface Transportation Program (RSTP) that is reflected in these financial statements. No RSTP funds were allocated to the City during the year ended June 30, 2023.

The City collects the Western Nevada County Regional Transportation Mitigation Fee (RTMF) as part of the fees collected on development in the City that are remitted to NCTC to provide funding for street and highway improvements needed to accommodate traffic generated by development projects in Western Nevada County. The City then receives reimbursements from NCTC's RTMF Fund to fund authorized development projects.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Transportation Development Act Funds of the City (the Fund) 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 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. 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 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. TDA revenues 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 GRASS VALLEY
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023 and 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from other governments: Due from other governments represents amounts due from NCTC. Management believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts has been recorded.

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 to other City funds” on the balance sheet. The “due to other City funds” at June 30, 2023 and 2022 represents amounts due to City funds by the TDA Fund for the amount of RTMF receivable from NCTC.

NOTE C – REGIONAL ALLOCATIONS

Regional Transportation Mitigation Fee (RTMF): The RTMF Program was established in 2001 through a partnership of three local jurisdictions (unincorporated Nevada County, Nevada City, and Grass Valley) and NCTC to provide funding from new development to make improvements to the Regional Transportation System. The RTMF fees are collected from the local jurisdictions imposing the fees and remitted to NCTC. The City collects RTMF fees that are directly disbursed to NCTC. Such fees totaled \$114,833 and \$56,667 at June 30, 2023 and 2022, respectively. These funds are also reported in the TDA Fund.

As of June 30, 2023, funds received back from NCTC for approved projects and expended were verified in the course of the audit as follows:

Beginning balance, July 1, 2022		\$ -
Proceeds received		54,778
Expenditures incurred:		
Doresey Drive Project		(159,471)
East Main Street/Bennett Street Realignment		<u>(42,277)</u>
Receivable at June 30, 2023		<u>\$ (146,970)</u>

NCTC entered into agreements with the City to reimburse the City for expenditures incurred in relation to the Dorsey Drive Interchange and East Main Street/Bennett Realignment Projects. NCTC agreed to reimburse the City over time with RTMF funds for these projects. The entire \$1.5 million allocated for the East Main Street/Bennett Realignment in July 2017 was paid to the City as of June 30, 2023. Of the total amount allocated for the Dorsey Drive Interchange Project in July 2017 of \$4,386,463, \$3,113,700 remains payable as of June 30, 2023, including the \$146,970 amount that was pending payment and is reflected as a receivable from NCTC.

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 Grass Valley, 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 allocated to the City of Grass Valley (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 April 2, 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 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 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 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 Section 6666 and 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 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 Grass Valley, 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*, the TDA and other state program guidelines in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

April 2, 2024