

## **Nevada County Transportation Commission meeting – May 15, 2024**

### FY 2022/23 Fiscal and Compliance Audits

Presentation by Ingrid Shepline, CPA from Richardson & Company LLC

Aaron Hoyt:

Good morning, Commissioners. We have Ingrid Shepline from Richardson & Company with us today virtually. The item before you is the acceptance of the annual Fiscal and Compliance Audits for the Fiscal Year 2022/23. The Transportation Development Act of 1971 provided two different funding sources for transportation and counties in the state of California. One of the fund sources is a Local Transportation Fund. The other is a State Transit Assistance fund. Those total approximately \$6 million a year in Nevada County and are primarily dedicated to transit services.

The administration of the Transportation Development Act and those fund sources is a core activity for NCTC. Receipt of the funds triggers a requirement to conduct this annual Fiscal and Compliance audit. Each of the cities, the Town of Truckee and the County, as well as NCTC, are responsible for conducting these audits. NCTC secured Richardson & Company to perform the audits for this fiscal year. They have a multi-year contract going forward to continue to perform these audits.

These audits also include the Regional Transportation Mitigation Fee program funds, the other local developer fee programs, and other state funds that are required to have an annual fiscal audit. So, while they are not comprehensive, they do look at the fund sources, check the accounting procedures and look at fund balances and use of funds and what is remaining in any of those accounts.

I'd like to turn the remainder of the presentation over to Ingrid Shepline from Richardson & Company. They come to us with a wealth of knowledge and experience in this field and we're glad to have been able to work with them this year, and looking forward to future audits as well. After Ingrid's short presentation on just a summary of the fiscal year audits, we'll be available for any questions that you may have. Thank you.

Ingrid Shepline:

So as Aaron indicated, we're here today to present the results of the Fiscal Year 2022/23 audits. We are required by the TDA to perform an audit of the Commission itself that includes both financial and compliance auditing to determine that the Commission complies with TDA regulations. Then as a Transportation Planning Agency, the Commission is also responsible for administering various funds and assuring that the recipients of those funds are in compliance.

Our goal is to audit these various funding sources that the Commission has administrative responsibility over. It includes the Local Transportation Fund and State Transit Assistance Fund, which combined are considered part of the TDA, Transportation Development Act. And then State of Good Repair, Low Carbon Transit Operations Program, and Regional Surface Transportation Funding, which provides street and road type of funding and planning activities. Those are all state funds. And then the local mitigation fee, developer fee program. These are all of the areas where we review for compliance with the applicable laws and regulations.

Overall, the opinions that we issued on the various financial statements are all considered unmodified or clean opinions. That indicates that they are fairly presented in accordance with other required accountability principles.

We also issued separate reports on internal control and compliance, and then we also issued what is referred to as a required communications or governance letter that contains certain required communications. And then we also issued a management letter on the Commission itself as well as the County and Truckee. And that letter contains additional items for areas that were recommended for improvement. I'm going to touch on the highlights of these various reports in this presentation.

As I indicated, we did issue unmodified opinions. We did have adjustments or changes that we made in the course of the audit to correct certain balances to be able to issue our opinions. As far as findings, we had one internal control finding on the County, which I will discuss later in the presentation. We had no compliance findings, so we determined that the Commission as well as all of the jurisdictions are in compliance with the Transportation Development Act and other state funding requirements. And then we noted other areas for improvement that I will highlight as well.

Here is a real high-level summary of the financial information that is included within the Commission's financial statements. The general operating fund of the Commission has an available fund balance of \$550,000 that would be for planning activities. The Local Transportation Fund as of June 30, 2023, shows that the amount that was available to apportion to the jurisdictions was \$5.5 million, and included within that is \$360,000 that's set aside for ped and bike projects. This is funding that is available to be apportioned. And my understanding is that a good portion of that was apportioned after June 30 of 2023.

Another item related to the Local Transportation Fund that's not included in that \$5.5 million, the Local Transportation Fund loaned the County \$2 million for the purchase of buses. That was just interim funding until the federal grant funding was received. It was more of a cash flow timing item. But as of this point in time, that loan has been repaid and the funding has been received by the County.

The State Transit Assistance Fund are funds that are available for transit only and there is \$5 million as of June 30 that was available to be apportioned. For RSTP funding, which is state funds for transportation improvements, there was \$3.2 million that was available to spend by either the Commission or by jurisdictions for transportation planning. In other words, not transit related activities.

The RTMF is the development fees that are collected by the jurisdictions and remitted to the Commission and then the Commission approves projects for the use of those funds. It is showing a deficit fund balance of \$504,000, but that's because of the liability. An entry we made during the course of the audit is that fund is showing a liability of \$3.1 million payable to Grass Valley for the Dorsey project. Reimbursement of that project through this fund was approved in 2017 and money is distributed to the city as those fees are collected. There are amounts typically that are reimbursed to the city each year, but there is \$3.1 million remaining to be reimbursed out of that fund. So that is what's causing that fund to have a deficit fund balance.

As far as the reports on internal control and compliance, this is related specifically to the Commission. We had no weaknesses in internal controls. We review your internal processes and procedures and determine that they were in good shape and no areas of concern that would generate weaknesses there. We also determined that the Commission complied with the Transportation Development Act and other state guidelines. During, and this is related just to the Commission audit itself, we had six adjustments during the audit process that are described in the governance letter. That letter also indicates that we had no difficulties in performing the audit. If we did, we would need to bring those to your attention.

As Aaron indicated, this was the first year audit of the Commission for us. And so, there's a tremendous learning curve. I do want to take this time to thank primarily Dale that we interacted with and Aaron for really helping us through the audit process and helping us learn and understand how the Commission performs their administrative functions over the TDA. We do a lot of TDA audits. Each one's a little unique and so we do appreciate the time that they spent with us to get us up to speed on the Commission.

We issued a separate management letter for the Commission and we just had one item, this is more of a best practices comment, and our recommendation there is within the general ledger accounts to establish separate general ledger accounts for wages, taxes, and benefits. Currently, those are combined altogether in one account for each position. It just helps in the audit process to be able to do analysis of ratios between wages, taxes, and benefits. So just a minor item that we noted.

We performed an audit of the County Transit Fund and also the street and road related activities that cover just these funding sources. And we also audited Truckee's Transit Fund and those various funding

sources that it receives. We also audited the City of Nevada City, the ped and bike funding received, as well as the RSTP and RTMF funding, and then also the City of Grass Valley, we audited the street projects that are funded by RSTP and RTMF funding.

Starting with the audit of the Nevada County Transit Fund, we had one finding that related to ensuring that the revenue is recorded in the proper fiscal year. During the closing process, we did have several adjustments in this area, so we're just recommending that the County identify those upfront during the closing process so they don't result in audit adjustments in the future.

We also had two recommendations that we made in the management letter that these were not considered to be weaknesses, but just other recommendations. One of them has to do with the unearned revenue that is being carried in that fund of \$1.3 million consisting mostly of Local Transportation Fund monies as well as Low Carbon funding, that those amounts be considered in future claims. One of the areas that we look at is to make sure that the money being received is being spent down. We don't like to see a lot of it accumulating. This isn't a large amount considering the size of the operation, but just something for the Commission to keep an eye on.

The second comment has to do with the County is reporting \$802,000 as restricted net assets for capital purposes, but was not able to determine the origin of those funds and whether those have actually been expended. So, the County would need to do some research to determine what those amounts were originally from and whether they have been expended and that restriction may not have been released.

We had no findings on the Truckee audit that are mentioned in the report on internal control and compliance. We did issue a separate management letter that contained three recommendations. The first one is the Transit Fund has a negative cash balance and I believe it did in the previous year too. So, we're recommending that the Town develop a plan for reducing their negative cash. Right now, because of that negative cash, essentially the other Town funds are subsidizing the Transit Fund. The second comment is ensuring that the State of Good Repair and the Low Carbon money needs to be recorded in the year it was allocated, the Town was recording it a year later. So, we're recommending those be accrued in the year the funds were allocated.

The third item is recommending that the Town perform their Local Transportation Fund eligibility calculation at close to or at year-end based on actual amounts. What happened, especially in this fiscal year, is the eligibility calculation is done initially based on budgeted amounts and then actual results could be different. So, they actually ended up being under claimed, which did contribute to their negative cash. So, we're recommending they do another calculation near the end of the year. If they need to claim additional money, they can do so before the end of the fiscal year.

The two other audits that we did, the City of Nevada City, we had no findings there and noted no issues of non-compliance. And also, with the City of Grass Valley, no findings or non-compliance issues there. So that concludes my presentation. I'd like to open it up to any questions I may be able to answer as well or whether staff or management can answer those.

Mike Woodman:

I just want to acknowledge Dale Sales, NCTC's Administrative Services Officer. Dale does a great job of working to ensure that NCTC's accounting procedures remain in compliance and that all requirements are met. As you heard, NCTC administers numerous funding sources and Dale does a masterful job for NCTC in administering them and did a great job working with our auditor. So just wanted to thank Dale.

Ed Scofield:

Thank you, Dale. Mike, the RTMF owed to the City of Grass Valley, maybe it would be helpful to explain to the Commission what that agreement is, just kind of refresh.

Mike Woodman:

Sure. For the Regional Transportation Mitigation Fee program, if you remember back when cities had state redevelopment agency funding, the City of Grass Valley had some redevelopment agency funding. At that time, the state was dissolving redevelopment agencies. That funding was going away. We were at that point of trying to put all the funding together for the Dorsey Drive Interchange. The City said, "Hey, we can provide redevelopment agency funding towards that to advance the project." When a developer or the agency does that, we have a repayment agreement to repay that agency. So, in this case, the City of Grass Valley still has a little over \$3 million owed to them that gets repaid as we collect development fees.

In previous audits, that repayment due to the City of Grass Valley, in auditing terms, wasn't identified as a liability. Richardson & Company identified that repayment as a liability. And so, by doing that, when you look at the fees that are currently collected, the amount that is owed to be repaid, it shows up as a deficit. It is not truly a shortfall of funding in the bank. It just shows we still owe that repayment. It's just a liability. So that's the main difference from previous audits.

Currently when Regional Transportation Mitigation Fees are collected, the executive committee for the fee program had set up that 30% of those fees goes towards repayment of Dorsey Drive Interchange, the other 70% goes to the other projects in the Capital Improvement Program. We just updated the Regional Transportation Mitigation Fee programs, and one thing that the City of Grass Valley has asked us is could we consider increasing the percentage to repay Dorsey Drive faster? So once the fee programs are completely in place for all of the jurisdictions, we'll get together with the Regional Transportation Mitigation Fee program administrative and executive committee, and consider that change in percentage to repayment to try to accelerate the repayment of Dorsey Drive.

Question:

What does the term unapportioned mean exactly in this context?

Mike Woodman:

The way I look at it, it's not unapportioned. Like the Local Transportation Funds, those are apportioned to each of the jurisdictions. It's more that they're unallocated. They haven't been approved to give those funds to a jurisdiction. So essentially, they're sitting in our account, they're available to the jurisdictions, but they haven't been allocated to those jurisdictions.

For the Local Transportation Fund, for example, that had about a \$3 to \$4 million balance, some of that is the six operating reserves for both the Town of Truckee and the Western Transit System that we hold, it's not allocated, but we keep that money held in our bank account should they need it. And on the State Transit Assistance funding where there was about a \$5 million balance, that is a result of a previous Transportation Equity Study where there's two code sections under State Transit Assistance. 99314 is based on operating revenue. Those funds go directly to Nevada County and the Town of Truckee. And then there's 99313 funds that essentially are for regional transit priorities under that study. NCTC established a policy that those funds are available to NCTC to allocate to either the Town or the County for transit operations and capital needs. With the recent federal COVID assistance provided for public transit, that section 99313 regional transit STA pot has grown. But we just approved some funding out of that at this meeting, so we anticipate that going down over time.

For RTMF, if a developer decides to say, "Hey, I'll pay for the whole cost of this improvement," then we have a repayment agreement with them to repay them for the amount above their fair share. City of Grass Valley, in the case of the Dorsey Drive Interchange, had the redevelopment agency funding and we were trying to complete the funding puzzle for the project. They put forward the redevelopment

agency funding to advance the project and we have an agreement with the City to repay them for that amount.

Currently in the program, 30% of the Regional Transportation Mitigation Fees collected go towards the repayment of the Dorsey Drive project. The other 70% go towards the remaining projects and the capital improvement list. One thing that we're going to consider at the RTMF administrative and executive committee level is increasing that percentage repayment from 30% to 50% or something of that nature to try to repay the City faster.

**Question:**

Who in the county was involved with the \$800,000 restricted funds within the county's transit account and who would be tracing down that \$800,000?

**Robin Van Valkenburgh:**

The restricted fund, a few years ago, we changed how we were identifying capital funding within the Prop 1B funds that we had at that time. We created a new fund account within the County accounting system to hold those funds. Those funds were fully expended as of June 30, 2023. But we do have other capital funds specific to Low Carbon Transit Operations, grant funds for the purchase of a contactless fare payment system, as well as the funding for an EPA grant that was used to purchase the electric vehicles. So, I will work with County auditor staff to identify where the disconnect was between our current capital programs that we have within the accounting system and what is shown as restricted at this time. We'll pin it down with the auditor staff to ensure that it's corrected and accurate moving forward.

**Public Comment:**

Shirley Osgood. I don't know if this is an appropriate place to ask or comment on this. I did get a form to fill out regarding the Rough and Ready roundabout and crosswalks on Ridge Road. I know it's probably not in the city, but I'm hearing all kinds of other things too and I just want to say yes, yes, yes. There's a big area by Carrie Drive where pedestrians cross frequently where there's a blind hill and people totally disregard the signs that say blind hill and 25 mile an hour limit. They're going down 55, 60 miles an hour there. And I would love to see, especially even this is in Grass Valley, right? Some lights, a crosswalk with something you can push because my granddaughter who is 10, the other day, had a close call there coming home from school. It's a school crosswalk area, it's a bus stop. We have a nursing home where people cross to go to the corner store and we have some seniors that are on walkers, wheelchairs. It's just a scary area. So I'm just putting a plug in for that. Thank you.

Resolution 24-19 was approved unanimously by roll call vote.