

COUNTY OF SACRAMENTO

TRANSIT FUNDS

Audited Financial Statements
And Compliance Report
For the Fiscal Year Ended
June 30, 2020

COUNTY OF SACRAMENTO
TRANSIT FUNDS
JUNE 30, 2020
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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transit Funds (the Funds) of the County of Sacramento (the County), as of and for the year ended June 30, 2020, 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 audit. 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. 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.

To the Board of Supervisors
County of Sacramento, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transit Funds of the County of Sacramento as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the Transit Funds of the County of Sacramento and do not purport to, and do not, present fairly the financial position of the County of Sacramento as of June 30, 2020, the changes in financial position, or where applicable, its cash flows 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.

Other Matters

Prior Year Comparative Information

We have previously audited the June 30, 2019 Transit Funds of the County of Sacramento financial statements dated February 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Management has omitted management's discussion and analysis 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 December 17, 2020 on our consideration of County's internal control over financial reporting related to the Funds 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 County's internal control over financial reporting and compliance.

Richardson & Company, LLP

December 17, 2020

**COUNTY OF SACRAMENTO
TRANSIT FUNDS
STATEMENTS OF NET POSITION
JUNE 30, 2020
(With Prior Year Data for Comparative Purposes Only)**

	2020			2019
	South County	East County	Total	(Comparative Purposes Only)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,475,222	\$ 224,208	\$ 1,699,430	\$ 1,352,570
Interest receivable	11,970	1,899	13,869	11,456
Accounts receivable	11,755	-	11,755	56,314
Due from other governments	1,398,676	-	1,398,676	774,049
TOTAL CURRENT ASSETS	2,897,623	226,107	3,123,730	2,194,389
CAPITAL ASSETS, NET	980,251	41,874	1,022,125	1,121,053
TOTAL ASSETS	3,877,874	267,981	4,145,855	3,315,442
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	284,505	-	284,505	271,430
Due to other governments	-	7,166	7,166	17,017
TOTAL CURRENT LIABILITIES	284,505	7,166	291,671	288,447
NET POSITION				
Investment in capital assets	980,251	41,874	1,022,125	1,121,053
Restricted for capital projects				
Claimed	1,532,865	41,983	1,574,848	528,540
Unclaimed State Transit Assistance Fund	750,905	-	750,905	480,362
Restricted for County transit operations	329,348	176,958	506,306	897,040
TOTAL NET POSITION	\$ 3,593,369	\$ 260,815	\$ 3,854,184	\$ 3,026,995

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

**COUNTY OF SACRAMENTO
TRANSIT FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020
(With Prior Year Data for Comparative Purposes Only)**

	2020			2019
	South County	East County	Total	(Comparative Purposes Only)
OPERATING REVENUES				
Fares	\$ 188,522	\$ 8,270	\$ 196,792	\$ 252,676
OPERATING EXPENSES				
Purchased transportation	1,752,903	84,827	1,837,730	1,878,310
Administration	398,641	11,467	410,108	275,783
Depreciation	396,247	33,500	429,747	361,781
TOTAL OPERATING EXPENSES	2,547,791	129,794	2,677,585	2,515,874
NET (LOSS) FROM OPERATIONS	(2,359,269)	(121,524)	(2,480,793)	(2,263,198)
NONOPERATING REVENUES				
Local Transportation Fund	661,202	127,501	788,703	621,690
City of Galt Local Transportation Funds	920,639	-	920,639	936,395
Federal Transit Administration Grant	395,488	-	395,488	284,225
Gain (loss) on sale of capital assets	44,049	-	44,049	27,800
Interest income	24,737	4,000	28,737	22,280
TOTAL NONOPERATING REVENUES	2,046,115	131,501	2,177,616	1,892,390
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(313,154)	9,977	(303,177)	(370,808)
CAPITAL CONTRIBUTIONS				
Local Transportation Fund	727,009	-	727,009	68,845
State Transit Assistance Fund	349,819	-	349,819	307,130
State of Good Repair	53,538	-	53,538	102,569
TOTAL CAPITAL CONTRIBUTIONS	1,130,366	-	1,130,366	478,544
CHANGE IN NET POSITION	817,212	9,977	827,189	107,736
NET POSITION AT BEGINNING OF YEAR	2,776,157	250,838	3,026,995	2,919,259
NET POSITION AT END OF YEAR	\$ 3,593,369	\$ 260,815	\$ 3,854,184	\$ 3,026,995

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

**COUNTY OF SACRAMENTO
TRANSIT FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Prior Year Data for Comparative Purposes Only)**

	2020			2019
	South County	East County	Total	(Comparative Purposes Only)
CASH FLOWS FOR OPERATING ACTIVITIES				
Cash received from customers	\$ 233,081	\$ 8,270	\$ 241,351	\$ 230,433
Cash paid to suppliers	(2,138,469)	(106,145)	(2,244,614)	(2,344,973)
NET CASH USED FOR OPERATING ACTIVITIES	(1,905,388)	(97,875)	(2,003,263)	(2,114,540)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and subsidies	1,574,390	127,501	1,701,891	2,292,495
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,574,390	127,501	1,701,891	2,292,495
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Grants for capital acquisitions	908,677	-	908,677	321,369
Proceeds on disposal of capital assets	44,049	-	44,049	27,800
Acquisition of capital assets	(330,819)	-	(330,819)	(806,771)
NET CASH PROVIDED BY (USED) FOR CAPITAL FINANCING ACTIVITIES	621,907	-	621,907	(457,602)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	22,486	3,839	26,325	20,816
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	313,395	33,465	346,860	(258,831)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,161,827	190,743	1,352,570	1,611,401
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,475,222	\$ 224,208	\$ 1,699,430	\$ 1,352,570
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES				
Net loss from operations	\$ (2,359,269)	\$ (121,524)	\$ (2,480,793)	\$ (2,263,198)
Adjustments to reconcile net loss from operations to net cash used for operating activities:				
Depreciation	396,247	33,500	429,747	361,781
Changes in operating assets and liabilities:				
Accounts receivable	44,559	-	44,559	(22,243)
Accounts payable	13,075	-	13,075	(190,436)
Due to other governments	-	(9,851)	(9,851)	(444)
NET CASH USED FOR OPERATING ACTIVITIES	\$ (1,905,388)	\$ (97,875)	\$ (2,003,263)	\$ (2,114,540)

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

COUNTY OF SACRAMENTO
TRANSIT FUNDS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A – ORGANIZATION

The County of Sacramento Transit Funds (Funds) receive funding under the provisions of the Transportation Development Act (TDA) from the Sacramento County Local Transportation Fund (LTF) under Article 8, Sections 99400(c) and (d) and State Transit Assistance (STA) under Article 4, Section 6731(b). The STA funds are to be used for public transportation purposes only. The County's Article 8, LTF funds are for the support of public transportation systems as defined in the TDA. The County also receives a Federal Transit Administration (FTA) Section 5311 apportionment to fund its transportation services. State of Good Repair funds are available for the purchase of new vehicles and the maintenance and rehabilitation of transit facilities and vehicles.

The County provides transportation services under the South Sacramento County Transit program and the East County Transit Service. Transportation services in South Sacramento County, including Galt, Isleton and Delta areas are unified under the name South County Transit Link (SCT/Link) and are provided under a contract with Storer Transit Systems (STS), and includes an express route was added between Galt and downtown Sacramento. The County's contract with STS is through May 31, 2024. The East County Transit Service provides transportation service between Rancho Murieta and downtown Sacramento and is operated under a contract with Amador Transit (AT). The County's contract with AT is through June 30, 2021.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements the Funds have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and the Funds apply all GASB pronouncements.

Reporting Entity: The financial statements are intended to present the financial position, results of operations and cash flows of only those transactions recorded in the Funds. The Funds are included in the financial statements of the County.

Fund Accounting: The accounts of the Funds 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 Funds utilize the enterprise fund type of the proprietary fund group to account for the activities of the Funds.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. Net position is segregated into the net investment in capital assets, amounts restricted for transit operations and capital acquisitions and amounts unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. TDA revenues, Federal Transit Administration grants and State of Good Repair revenues are recorded when all eligibility requirements have been met. State of Good Repair revenues are recognized on a cost reimbursement basis.

COUNTY OF SACRAMENTO
TRANSIT FUNDS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Funds are charges to customers for transportation services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Funds' policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Funds consider all short term highly liquid investments (including restricted assets) to be cash equivalents. Investments held in the County Treasurer's Pool are available on demand to individual entities, thus they are considered highly liquid and cash equivalents for purposes of the statement of cash flows.

Capital Assets: Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life of three years. Capital assets are stated at cost or at estimated fair value if donated. Provision is made for depreciation by the straight-line method over the estimated useful lives of the individual assets, which is five years for the transit vehicles recorded. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Net Position: Net position is categorized as the net investment in capital assets, restricted and unrestricted. Restrictions of net position result from the allocation of TDA revenues and are indicated by the title on the face of the balance sheet.

Comparative Financial Statements: The financial statements include certain prior-year summarized comparative information in total but not by individual fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Funds' financial statements for the year ended June 30, 2019, from which the summarized information was derived.

NOTE C – CASH AND INVESTMENTS

Investment policy: The County's investment policy may be found in the notes to the County's basic financial statements.

Investment in the County of Sacramento Investment Pool: The Funds' cash is held in the County Treasury. The County maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the County's investment pool are available on demand to the County of Sacramento's Transportation Development Act Funds allocated for transit purposes and are stated at cost, which approximates fair value.

**COUNTY OF SACRAMENTO
TRANSIT FUNDS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE C – CASH AND INVESTMENTS (Continued)

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, 2020, the weighted average maturity of the investments contained in the County’s investment pool was approximately 293 days.

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 County’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 County of Sacramento’s investment pool).

NOTE D – DUE FROM OTHER GOVERNMENTS

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

	2020			2019
	South County	East County	Total	(Comparative Purposes Only)
State Transit Assistance Fund				
Fiscal Year 2019/20	\$ 349,819	\$ -	\$ 349,819	\$ -
Fiscal Year 2018/19	307,130	-	307,130	307,130
Fiscal Year 2017/18	93,956	-	93,956	93,956
Fiscal Year 2016/17	-	-	-	79,276
State of Good Repair				
Fiscal Year 2019/20	53,715	-	53,715	
Fiscal Year 2018/19	-	-	-	53,787
Fiscal Year 2017/18	-	-	-	48,605
Federal Transit Administration				
Fiscal Year 2019/20	395,488	-	395,488	
City of Galt Local Transportation Funds				
Fiscal Year 2019/20	198,568	-	198,568	
Fiscal Year 2018/19	-	-	-	191,118
Other	-	-	-	177
Total Due from other governments	\$ 1,398,676	\$ -	\$ 1,398,676	\$ 774,049

The table above does not include the unclaimed LTF apportionments described in Note H that may not be claimed by the Funds.

**COUNTY OF SACRAMENTO
TRANSIT FUNDS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE E – CAPITAL ASSETS

Capital asset activity consisted of the following for the year ended June 30:

	Balance at July 1, 2019	Additions	Disposals	Balance at June 30, 2020
South County				
Transit vehicles	\$ 2,437,573	\$ 330,819	\$ (517,127)	\$ 2,251,265
Less accumulated depreciation	(1,391,894)	(396,247)	517,127	(1,271,014)
Capital assets, net	<u>\$ 1,045,679</u>	<u>\$ (65,428)</u>	<u>\$ -</u>	<u>\$ 980,251</u>
East County				
Transit vehicles	\$ 167,498	\$ -	\$ -	\$ 167,498
Less accumulated depreciation	(92,124)	(33,500)	-	(125,624)
Capital assets, net	<u>\$ 75,374</u>	<u>\$ (33,500)</u>	<u>\$ -</u>	<u>\$ 41,874</u>

NOTE F – COMMITMENTS

The County's contract with STS for the operation of SCT/Link extends to May 31, 2024. Operating costs payable to STS for the period of July 1, 2020 through May 31, 2024 will not exceed \$7,632,986. The County has a contract with the City of Galt whereby the City reimburses the County 60% of these operating costs, through May 31, 2024. The County executed a contract amendment with AT for the East County Transit Service to extend service through June 30, 2021. Operating costs payable to the AT through June 30, 2021 are not expected to exceed \$125,219.

NOTE G – FARE REVENUE RATIO

On September 7, 2012, Assembly Bill (AB) 432 was enacted into law and is effective January 1, 2013. AB 432 allows SACOG to establish a combined minimum fare revenue ratio for all transit operators in Sacramento County if SACOG determines the services are coordinated. On June 20, 2013 SACOG approved the findings that the public transportation services of the grouped transit operators in Sacramento County are coordinated, as required by AB 432. As a result the Sacramento Regional Transit District is now subject to a minimum fare revenue ratio of 23% and the SCT/Link and the East County Transit Service services are no longer required to meet a separate minimum fare revenue ratio for their transit services.

COUNTY OF SACRAMENTO
TRANSIT FUNDS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE H – UNCLAIMED LOCAL TRANSPORTATION FUND APPORTIONMENTS

The Funds have unclaimed LTF apportionments from prior years that have been proposed to be used to fund a commuter service from the City of Galt to downtown Sacramento for a three year trial period. The commuter service began during the year ended June 30, 2012; however, the apportionments may not be claimed until operating expenses are budgeted. If additional operating expenses are not incurred, SACOG could make the Funds' unclaimed apportionments available to the Sacramento Regional Transit District to claim for its existing transit services. Because it is uncertain whether the Funds will claim the apportionments, the Funds have not recognized these apportionments at June 30, 2020. As of June 30, 2020, the County had the following unrecognized Local Transportation Fund apportionments:

Fiscal Year 2019/20	\$ 1,344,830
Fiscal Year 2018/19	1,144,972
Fiscal Year 2017/18	<u>577,714</u>
	<u>\$ 3,067,516</u>

NOTE I – CONCENTRATIONS

The Funds receive a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund created by the TDA. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Transit Funds' activities.

NOTE J – CONTINGENCIES

The Funds receive grants and funds for specific purposes that are subject to review and audit by the funding source. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

NOTE K - COVID

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The extent of the impact of COVID-19 on the County's operation and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the citizens of the County of Sacramento, all of which are uncertain and cannot be predicted. At this point, the full extent to which COVID-19 may impact the financial condition or results of operations is uncertain. Possible effects could be a loss or reduction of revenue sources.



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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 Board of Supervisors
County 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 Transit Funds (the Funds) of the County of Sacramento (the County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 County'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

To the Board of Supervisors
County of Sacramento, California

Transportation Development Act (TDA) funds allocated and received by the County were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 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 performing our tests disclosed an instance of noncompliance or other matters described as Finding 2020-001 in the schedule of findings and responses that is required to be reported under *Government Auditing Standards* or the TDA.

County's Response to Findings

The County of Sacramento's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

December 17, 2020

COUNTY OF SACRAMENTO
TRANSIT FUNDS
SCHEDULE OF FINDINGS AND RESPONSES

For the Fiscal Year Ended June 30, 2020

CURRENT YEAR FINDINGS

COMPLIANCE

Finding 2020-001

Criteria: According to Section 6634 of the California Code of Regulations, no operator shall be eligible to receive moneys during the fiscal year from the LTF and the STA Fund for operating or capital costs in an amount that exceeds its actual costs incurred in the fiscal year less the actual amount of fare revenues and federal grants received during the fiscal year. In addition, once an amount has been claimed for a particular purpose and has been approved by SACOG, the amount is required to be spent for the approved purpose unless an amended allocation is made under Section 6659 of the California Code of Regulations.

Condition: The County overclaimed South County transit operating funds by \$14,307, East County by \$39,476 and South County capital by \$529,181 during the year ended June 30, 2020 as a result of transit operations and transit capital costs being less than the amounts claimed for those services at June 30, 2020.

Effect: The amounts over-claimed resulted in excess fund balance that will eventually need to be used for future expenditures before additional TDA revenues are claimed.

Cause: The budget used as the basis for TDA claims in prior years was not materially consistent with actual expenditures.

Recommendation: We recommend the County work with SACOG during the claim process to reduce subsequent claims and/or reallocate the over-claimed amounts to other purposes as allowed under the TDA.

Management's Response: South County: Due to Sacramento County Public Health orders issued on March 19 and April 7, 2020, residents were asked to restrict themselves to essential travel only. As a result, ridership on South County Transit and East County Transit experienced deep declines towards the end of FY 19/20 continuing to present. In response to ridership decline, South County Transit reduced service beginning May 4, 2020 continuing to present. The finding of operating funds overclaimed by \$14,307 for South County Transit is due to two shifts in operations:

- COVID 19 related service reductions decreased vehicle service hours and fuel use, creating a reduction in operating costs.
- The addition of a part-time staff member supporting Transportation Services and unanticipated auditing efforts created an increase in County overhead costs.

The net result of the decrease in operating costs and increase in overhead costs was an overclaim of \$14,307.

Despite fare revenues declining steeply and the increase in costs due to COVID-19 equipment and services, staff claimed for these losses and expenses through the CARES Act for South County Transit so it did not materially impact the claim amounts. This revenue is reflected under Federal Revenues.

COUNTY OF SACRAMENTO

TRANSIT FUNDS

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

For the Fiscal Year Ended June 30, 2020

In capital funds, South County Transit overclaimed by \$529,181. Staff requested purchase orders for four buses, and thus claimed for these buses in FY 19/20. However, those buses were received and paid for in the beginning of FY 20/21 instead.

In future TDA claims, staff will plan for expenses for a biannual audit.

East County: County overclaimed for operating expenses for East County Transit by \$39,476 due to receiving less than expected fare revenue from Amador Transit, and also due to less hours worked by County staff than expected.

Staff plans to claim for fare loss for East County transit in January 2021. Staff revised the projection down for staff time devloated to East County Transit which is reflected in the TDA claim for FY 20/21.