

**SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STATE TRANSIT ASSISTANCE AND
STATE OF GOOD REPAIR FUNDS**

Audited Financial Statements
and Compliance Report

June 30, 2023

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR FUNDS

Audited Financial Statements
and Compliance Report

June 30, 2023 and 1899

Audited Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sacramento Area Council of Governments
Sacramento, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the State Transit Assistance and State of Good Repair Funds (the Funds) of the Sacramento Area Council of Governments (SACOG), as of and for the years ended June 30, 2023 and 1899, 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 financial position of the State Transit Assistance and State of Good Repair Funds of SACOG as of June 30, 2023 and 1899, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 SACOG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis-of-Matter

As discussed in Note B, the financial statements present only the State Transit Assistance and State of Good Repair Funds and do not purport to, and do not, present fairly the financial position of SACOG as of June 30, 2023 and 1899, the changes in financial position, or where applicable, its cash flows for the years 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 these 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that

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an audit conducted in accordance with generally accepted auditing standards 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 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 SACOG'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 audits.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023 on our consideration of SACOG'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

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Other Reporting Required by *Government Auditing Standards*

the effectiveness of SACOG'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 SACOG's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 29, 2023

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR FUND

BALANCE SHEETS

June 30, 2023 and 2022

	2023		2022	
	State Transit Assistance Fund	State of Good Repair Fund	State Transit Assistance Fund	State of Good Repair Fund
ASSETS				
Cash and investments	\$ 17,387,943	\$ 11,208,837	\$ 14,091,533	\$ 7,644,382
Due from other governments	9,069,239	815,419	6,775,430	656,196
Interest receivable	405,120	310,157	48,068	24,811
TOTAL ASSETS	\$ 26,862,302	\$ 12,334,413	\$ 20,915,031	\$ 8,325,389
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to other governments	\$ 17,232,474	\$ 5,186,974	\$ 14,336,916	\$ 412,823
TOTAL LIABILITIES	17,232,474	5,186,974	14,336,916	412,823
FUND BALANCE				
Restricted for public transit	9,629,828		6,578,115	
Restricted for public transit capital		7,147,439		7,912,566
TOTAL FUND BALANCE	9,629,828	7,147,439	6,578,115	7,912,566
TOTAL LIABILITIES AND FUND BALANCE	\$ 26,862,302	\$ 12,334,413	\$ 20,915,031	\$ 8,325,389

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

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Years Ended June 30, 2023 and 2022

	2023		2022	
	State Transit Assistance Fund	State of Good Repair Fund	State Transit Assistance Fund	State of Good Repair Fund
REVENUES				
Sales and use taxes	\$ 34,930,125	\$ 4,095,316	\$ 23,851,379	\$ 3,902,186
Refund revenue		106,278		
Investment earnings (loss)	643,285	427,166	(74,981)	(51,843)
TOTAL REVENUES	<u>35,573,410</u>	<u>4,628,760</u>	<u>23,776,398</u>	<u>3,850,343</u>
EXPENDITURES				
Current:				
Transportation Claimants				
Sacramento Regional Transit District	26,101,770	5,287,171	17,914,820	546,420
Yuba Sutter Transit Authority	2,326,076	73,659	1,603,756	1,341
City of Davis	1,065,316		760,978	130,619
City of Woodland	745,358		515,608	
City of West Sacramento	658,441		461,163	
County of Sacramento	487,732		331,946	
Yolo County Transportation District	394,687	33,057	275,466	215,566
County of Yolo	335,736		256,123	
City of Galt	309,992		219,419	
City of Winters	86,892		61,788	
City of Isleton	9,697		7,028	
TOTAL EXPENDITURES	<u>32,521,697</u>	<u>5,393,887</u>	<u>22,408,095</u>	<u>893,946</u>
NET CHANGE IN FUND BALANCE	3,051,713	(765,127)	1,368,303	2,956,397
Fund Balance at beginning of year	<u>6,578,115</u>	<u>7,912,566</u>	<u>5,209,812</u>	<u>4,956,169</u>
FUND BALANCE AT END OF YEAR	<u>\$ 9,629,828</u>	<u>\$ 7,147,439</u>	<u>\$ 6,578,115</u>	<u>\$ 7,912,566</u>

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

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR FUNDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 1899

NOTE A – ORGANIZATION

In 1979, the State Transit Assistance (STA) Fund was created under the Transportation Development Act to provide funding for transportation planning, public transportation, and community transit purposes as specified by the Legislature. Funds for the program are provided by the State from the statewide sales tax on motor vehicle fuel (gasoline) and use tax on diesel fuel. The funds are appropriated to the State Controller's Office and is then allocated by formula to each designated regional planning and programming agency. The formula allocates 50% of the funds based upon population of the region compared to the population of the State, and the remaining 50% is based upon transit operator revenues for the prior fiscal year compared with statewide transit operator revenues.

On April 28, 2017, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), the Road Repair and Accountability Act of 2017, was signed into law. SB 1 is referred to as the State of Good Repair (SGR) Program. SB 1 created a new Transportation Improvement Fee (Fee) on vehicle registrations due on or after January 1, 2018, a portion of which is provided to the California State Controller's Office for the SGR program. The fee is provided by Regional Transportation Planning Agencies (RTPAs) to eligible agencies under the STA Program formula pursuant to Public Utilities Code Section 99312.1 described in the first paragraph above. SGR fees are available for capital assistance to rehabilitate and modernize existing local transportation systems, including the purchase of new vehicles and the maintenance and rehabilitation of transit facilities and vehicles.

The Sacramento Area Council of Governments (SACOG) is the RTPA designated by the Director of the Department of Transportation for the Sacramento Region, which includes the Counties of Sacramento, Sutter, Yolo and Yuba. The STA allocations for the Sacramento Region are deposited in this State Transit Assistance and State of Good Repair Funds. As an RTPA, SACOG is responsible for the allocation of the STA and SGR monies to the transit operators and claimants within its region.

The State Transit Assistance and State of Good Repair Funds, which are funds that SACOG administers, are held at the County of Sacramento for SACOG. The STA and SGR funds are to be used to provide transit operator or transit contract services within the four counties. Eligible claimants of the funds are the cities, counties, transit districts, consolidated transportation service agencies, and operators located or operating within the four counties.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the STA and SGR Funds of SACOG have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Reporting Entity: The financial statements are intended to present the financial position and results of operations of only those transactions attributable to the STA and SGR Funds of SACOG. The STA and SGR Funds are included in the financial statements of SACOG.

Fund Accounting: The accounts of SACOG 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. Each fund is considered to be a major fund for purposes of these financial statements.

SACOG utilizes the special revenue fund type of the governmental fund group to account for the activities of the Funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

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.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023 and 1899

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 six months.

Sales taxes are recognized as revenue when the appropriation becomes effective, which is in the same fiscal year as the sales taxes are collected by the State of California. Expenditures are recorded when the related fund liability is incurred, which is when the amounts are allocated to jurisdictions.

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

Fund Balance: Allocation is the division of available funds by population and/or operator revenue to jurisdictions within each county as required by the TDA. Once funds are allocated to a given jurisdiction, they are available only for allocation and payment to claimants for that jurisdiction upon the submission of a claim by a claimant for that jurisdiction and the approval of the claim by SACOG. Fund balance represents resources received that have not been allocated to a claimant and are restricted to future allocations and claims for public transportation projects under the TDA and SGR Program Guidelines. Negative fund balances are reported as unassigned fund balance.

Expenditure Recognition: STA revenues are allocated to eligible recipients and are available for claim based on recipient budgeted expenditures/expenses. As a result, all eligibility requirements are met and expenditures/due to other governments are recognized by SACOG for STA when the allocation is approved by SACOG. It is SACOG's policy to distribute SGR funds on a cost-reimbursement basis when eligible recipients incur the qualifying expenditures/expenses. Consequently, SACOG recognizes expenditures/due to other governments for SGR when the recipients incur the qualifying expenditures/expenses.

NOTE C – CASH AND INVESTMENTS

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

Investment in the County of Sacramento Investment Pool: The STA and SGR Funds' cash is held in the County of Sacramento 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 SACOG and are stated at fair value. Information regarding fair value measurements of the County pool may be found in the notes to the County of Sacramento financial statements at www.finance.saccounty.gov/AuditorController on the Accounting and Financial Reporting page.

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, 2023 and 1899, the weighted average maturity of the investments contained in the County of Sacramento investment pool was approximately 267 and 278 days, respectively.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Sacramento investment pool does not have a rating provided by a nationally recognized statistical rating organization.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023 and 1899

NOTE C – CASH AND INVESTMENTS (Continued)

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 investment pool).

NOTE D – DUE TO OTHER GOVERNMENTS

Due to other governments consisted of the following at June 30:

	2023		2022	
	State Transit Assistance Fund	State of Good Repair Fund	State Transit Assistance Fund	State of Good Repair Fund
Sacramento Regional Transit District	\$ 6,345,304	\$ 5,153,917	\$ 5,497,729	\$ 154,550
Yuba Sutter Transit Authority	3,929,832		1,603,756	1,341
City of West Sacramento	1,887,550		1,706,381	
City of Davis	1,826,294		760,978	41,366
County of Sacramento	1,402,777		1,195,481	
County of Yolo	1,146,489		959,753	
Yolo County Transportation District	394,687	33,057	275,466	215,566
City of Woodland	183,993		2,268,784	
City of Galt	76,522		52,213	
City of Winters	29,329		14,703	
City of Isleton	9,697		1,672	
	<u>\$ 17,232,474</u>	<u>\$ 5,186,974</u>	<u>\$ 14,336,916</u>	<u>\$ 412,823</u>

NOTE E – STATE OF GOOD REPAIR DEADLINE FOR EXPENDITURE

SGR revenue is required to start being expended by recipient agencies within four years of the fiscal year of allocation and must be fully expended within eight years of the fiscal year of allocation under the SGR program Guidelines as follows:

FY of SGR Funding	Begin Expending SGR Funding	Fully Expend SGR Funding By
2017-18	July 1, 2021	June 30, 2025
2018-19	July 1, 2022	June 30, 2026
2019-20	July 1, 2023	June 30, 2027
2020-21	July 1, 2024	June 30, 2028
2021-22	July 1, 2025	June 30, 2029
2022-23	July 1, 2026	June 30, 2030

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2023 and 1899

NOTE F – CHANGE IN ESTIMATE

During 2023, SACOG discovered upon discussion with the California Department of Transportation that certain prior year costs previously submitted by the Sacramento Regional Transit District (SRTD) were not eligible for reimbursement through the State of Good Repair program. As a result, \$106,278 of unallowed costs previously reimbursed by SACOG were refunded by SRTD and were reported as refund revenue during the year ended June 30, 2023. See the Schedule of Allocations and Expenditures for the State of Good Repair program in the Supplementary Information section for a detail of these costs by project. These cancelled project costs were added back to the unallocated balance available to SRTD to claim in the future.

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
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SUPPLEMENTARY INFORMATION – SCHEDULE OF ALLOCATIONS AND DISBURSEMENTS – STATE TRANSIT ASSISTANCE

June 30, 2023 and 1899

California Code of Regulations, Subchapter 2.5, Article 5, Section 6751 related to the Transportation Development Act requires supplementary information for STA regarding fund balances maintained and expenditures made. No portion of the fund balance was apportioned to operators pursuant to Section 6721 of the Code as of June 30. The amounts allocated and expended for each of the allocation purposes specified in Sections 6730 and 6731 of the Code were as follows for the years ended June 30:

PUC Section	Purpose	2023			2022		
		Allocations	Disbursements	Undisbursed/ Unclaimed	Allocations	Disbursements	Undisbursed/ Unclaimed
6730(a)	Public transportation system operating costs:						
	City of Galt	\$ 309,992	\$ 233,470	\$ 76,522			
	Yuba Sutter Transit Authority	21,906		21,906			
		<u>331,898</u>	<u>233,470</u>	<u>98,428</u>			
6730(b)	Public transportation system capital requirements:						
	Sacramento Regional Transit District	26,101,770	19,756,466	6,345,304	\$ 17,914,820	\$ 12,417,091	\$ 5,497,729
	Yolo County Transportation District				275,466		275,466
	City of Galt				219,419	167,206	52,213
	City of Isleton				7,028	5,356	1,672
		<u>26,101,770</u>	<u>19,756,466</u>	<u>6,345,304</u>	<u>18,416,733</u>	<u>12,589,653</u>	<u>5,827,080</u>
6731(b)	Contracted transportation services:						
	City of Woodland	561,365	561,365		515,608		515,608
	City of Winters	86,892	69,096	17,796	50,255	47,085	3,170
		<u>648,257</u>	<u>630,461</u>	<u>17,796</u>	<u>565,863</u>	<u>47,085</u>	<u>518,778</u>
	Unclaimed current year apportionment:						
	Yuba Sutter Transit Authority	2,304,170		2,304,170	1,603,756		1,603,756
	City of Davis	1,065,316		1,065,316	760,978		760,978
	City of West Sacramento	658,441		658,441	461,163		461,163
	County of Sacramento	487,732		487,732	331,946		331,946
	Yolo County Transportation District	394,687		394,687			

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
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SUPPLEMENTARY INFORMATION – SCHEDULE OF ALLOCATIONS AND EXPENDITURES – STATE TRANSIT ASSISTANCE (Continued)

June 30, 2023 and 1899

PUC Section	Purpose	2023			2022		
		Allocations	Disbursements	Undisbursed/ Unclaimed	Allocations	Disbursements	Undisbursed/ Unclaimed
	County of Yolo	\$ 335,736		\$ 335,736	\$ 256,123		\$ 256,123
	City of Woodland	183,993		183,993			
	City of Isleton	9,697		9,697			
	City of Winters				11,533		11,533
		<u>5,439,772</u>		<u>5,439,772</u>	<u>3,425,499</u>		<u>3,425,499</u>
	Total apportionment	<u>\$ 32,521,697</u>	<u>\$ 20,620,397</u>	11,901,300	<u>\$ 22,408,095</u>	<u>\$ 12,636,738</u>	9,771,357
Unclaimed prior year apportionment:							
	Yuba Sutter Transit Authority			1,603,756			
	City of West Sacramento			1,229,109			1,245,218
	County of Sacramento			915,045			863,535
	County of Yolo			810,753			703,630
	City of Davis			760,978			
	City of Winters			11,533			
	City of Woodland						<u>1,753,176</u>
	Total unclaimed prior year apportionments			<u>5,331,174</u>			<u>4,565,559</u>
	Total due to other governments			<u>\$ 17,232,474</u>			<u>\$ 14,336,916</u>

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR FUND

SUPPLEMENTARY INFORMATION – SCHEDULE OF ALLOCATIONS AND EXPENDITURES – STATE OF GOOD REPAIR

June 30, 2023 and 1899

The SGR amounts allocated and expended were as follows for the years ended June 30:

	2023				2022		
	Allocated	Expended	Refunded**	Unexpended	Allocated	Expended	Unexpended
Current year:							
Sacramento Regional Transit District							
Replacement of CNG buses	\$ 3,294,420	\$ 2,688,058		\$ 606,362	\$ 2,645,372		\$ 2,645,372
Light rail crossing enhancement					500,000	\$ 107,254	392,746
Yuba Sutter Transit Authority							
Next generation transit facility	293,586			293,586	281,576		281,576
Yolo County Transportation District							
Vehicle overhauls, re-tanking, rebuilds	280,337	33,057		247,280			
Bus washer/washer recycler replacement					275,675		275,675
City of Davis - Unitrans							
Bus stop improvements	134,458			134,458	133,608		133,608
County of Sacramento							
Replacement of bus fleet*	101,906			101,906	98,040		98,040
Total Current Fiscal Year	<u>4,104,707</u>	<u>2,721,115</u>		<u>1,383,592</u>	<u>3,934,271</u>	<u>107,254</u>	<u>3,827,017</u>
Prior Year:							
Sacramento Regional Transit District							
Replacement of CNG buses	2,645,372	1,995,145		650,227			
Intelligence vehicle network upgrade	652,630	70,335		582,295	652,630		652,630
Drive cams	454,590			454,590	454,590		454,590
CNG equipment replacement	411,781	356,517		55,264	461,641	49,860	411,781
Light rail crossing enhancement	392,746	20,224	\$ 1,792	374,314			
Replacement of bus fleet	281,036			281,036	281,036		281,036
Trapeze ops update	251,000	124,965		126,035	251,000		251,000
Instrument house replacement	228,766		46,133	274,899	466,264	237,498	228,766
Bus maintenance facility improvements	172,420			172,420	172,420		172,420
Operations control center equipment replacement	149,795			149,795	149,795		149,795
Facility roof replacement	70,019		17,417	87,436	70,019		70,019
CNG tank replacement	54,343			54,343	193,290	138,947	54,343
Facility elevator replacement	40,693	31,927		8,766	53,554	12,861	40,693
Fare vending machine upgrade			40,936	40,936			

SACRAMENTO AREA COUNCIL OF GOVERNMENTS
STATE TRANSIT ASSISTANCE AND STATE OF GOOD REPAIR FUNDS

SUPPLEMENTARY INFORMATION – SCHEDULE OF ALLOCATIONS AND EXPENDITURES – STATE OF GOOD REPAIR (Continued)

June 30, 2023 and 2022

	2023				2022		
	Allocated	Expended	Refunded**	Unexpended	Allocated	Expended	Unexpended
Yuba Sutter Transit Authority							
Next generation transit facility	\$ 680,010			\$ 680,010	\$ 398,434		\$ 398,434
Replacement of bus fleet	151,681			151,681	151,681		151,681
Surveillance system repairs	73,659	\$ 73,659			75,000	\$ 1,341	73,659
Yolo County Transportation District							
Replacement of bus fleet	676,109			676,109	676,109		676,109
Bus washer/washer recycler replacement	275,675			275,675			
Vehicle overhauls, re-tanking, rebuilds					215,058	215,058	
Servers and computer equipment expenses					508	508	
City of Davis - Unitrans							
Bus stop improvements	133,608			133,608	43,301	43,301	
Maintenance of facilities					87,318	87,318	
County of Sacramento							
Replacement of bus fleet*	101,785			101,785	3,745		3,745
Total Prior Fiscal Years	<u>7,897,718</u>	<u>2,672,772</u>	<u>\$ 106,278</u>	<u>5,331,224</u>	<u>4,857,393</u>	<u>786,692</u>	<u>4,070,701</u>
Total	<u>\$ 12,002,425</u>	<u>\$ 5,393,887</u>	<u>\$ 106,278</u>	<u>\$ 6,714,816</u>	<u>\$ 8,791,664</u>	<u>\$ 893,946</u>	<u>\$ 7,897,718</u>

* In November 2022, the Board approved the transfer of SACOG's fiscal year 2021/22 allocation to the County of Sacramento for future bus purchases.

** Represents change in estimate for Sacramento Regional Transit District due to Caltrans disallowing certain costs from prior year claims as described in Note F.

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 STATE OF GOOD REPAIR PROGRAM GUIDELINES

To the Board of Directors
Sacramento Area Council of Governments
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 State Transit Assistance and State of Good Repair Funds (the Funds) of the Sacramento Area Council of Governments (SACOG), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated November 29, 2023.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SACOG'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 financial statements. Our audit was further made to determine that Transportation Development Act (TDA) funds allocated and received by SACOG were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6751 of the California Code of Regulations. We also tested the receipt and appropriate expenditures of State of Good Repair (SGR) program funds, as presented in the supplementary information, in accordance with SGR Program Guidelines. However, providing an opinion on compliance with those provisions was not an

To the Board of Directors
Sacramento Area Council of Governments

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 and SGR program requirements.

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

November 29, 2023