

**CITY OF OROVILLE**  
**STREETS AND ROADS FUND**  
**AND TRANSIT FUND**

Audited Financial Statements  
and Compliance Report

June 30, 2021

CITY OF OROVILLE  
STREETS AND ROADS FUND AND TRANSIT FUND

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Audited Financial Statements

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Oroville, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Streets and Roads Fund and Transit Fund of the City of Oroville (the Funds), as of and for year ended June 30, 2021, 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Streets and Roads Fund and Transit Fund of the City of Oroville as of June 30, 2021, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the City Council  
City of Oroville, California

**Emphasis-of-Matter**

As discussed in Note B, the financial statements present only the Streets and Roads Fund and Transit Fund of the City of Oroville and do not purport to, and do not, present fairly the financial position of the City of Oroville as of June 30, 2021, 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.

**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 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 February 3, 2022 on our consideration of the City'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 City's internal control over financial reporting and compliance.

*Richardson & Company, LLP*

February 3, 2022

CITY OF OROVILLE  
STREETS AND ROADS FUND AND TRANSIT FUND

BALANCE SHEETS

June 30, 2021

	Streets and Roads	Transit	Total
<b>ASSETS</b>			
Cash and investments	\$ 807,492		\$ 807,492
Interest receivable	567		567
<b>TOTAL ASSETS</b>	<b>\$ 808,059</b>	<b>\$ -</b>	<b>\$ 808,059</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 515,141		\$ 515,141
<b>TOTAL LIABILITIES</b>	515,141	-	515,141
 <b>FUND BALANCES</b>			
Restricted for transportation	292,918		292,918
<b>TOTAL FUND BALANCES</b>	292,918	-	292,918
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 808,059</b>	<b>\$ -</b>	<b>\$ 808,059</b>

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

CITY OF OROVILLE  
STREETS AND ROADS FUND AND TRANSIT FUND

STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2021

	Streets and Roads	Transit	Total
<b>REVENUES</b>			
Local transportation funds	\$ 572,421		\$ 572,421
Use of money and property	3,508		3,508
<b>TOTAL REVENUES</b>	575,929	-	575,929
<b>EXPENDITURES</b>			
Streets and roads projects	879,134		879,134
<b>TOTAL EXPENDITURES</b>	879,134	-	879,134
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	7,463		7,463
Transfer out		\$ (7,463)	(7,463)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	7,463	(7,463)	-
<b>NET CHANGE IN FUND BALANCES</b>	(295,742)	(7,463)	(303,205)
Fund balances at beginning of year	588,660	7,463	596,123
<b>FUND BALANCES AT END OF YEAR</b>	\$ 292,918	\$ -	\$ 292,918

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

CITY OF OROVILLE  
STREETS AND ROADS FUND AND TRANSIT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A – ORGANIZATION

The City of Oroville (the City) receives funds under the provisions of the Transportation Development Act (TDA) from the Butte County Local Transportation Fund (LTF) under Article 8, Section 99400(a). The funds represent amounts available after the determination by the Butte County Association of Governments (BCAG), the transportation planning agency administering TDA funds, of amounts needed to meet the unmet transportation needs of the City not otherwise being met. The City contracts for bus services through BCAG's transit fund, Butte Regional Transit (BRT). The City's Article 8, 99400(a) LTF funds are to be used for local streets and roads and projects provided for use by pedestrian and bicycles. The City contracts for bus service through BCAG's transit fund, Butte Regional Transit (BRT), and BRT claims Article 4 LTF and State Transit Assistance fund directly to support the transportation system. The City of Oroville Streets and Roads Fund and Transit Fund are used to account for these TDA funds received by the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the Streets and Roads Fund and Transit Fund of the City of Oroville (the Funds) 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 Funds. The Funds are 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 Funds, which are accounted for in the City's Local Transportation Fund (Streets and Roads Fund) and Local Transit Fund (Transit 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 OROVILLE  
STREETS AND ROADS FUND AND TRANSIT FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources: Deferred inflows of resources in governmental funds arise when a potential revenue source does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of resources consisted of TDA revenues for which all eligibility requirements had been met at year end, but the amounts were not received from BCAG within the 60-day availability period.

Fund Balance: Restrictions of fund balance represent amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. The restrictions of fund balance are according to the provisions of the Transportation Development Act and the purpose of each restriction is indicated on the face of the balance sheet of the respective fund.

NOTE C – CASH AND INVESTMENTS

The Funds’ cash is held in the City Treasury. The City maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the City’s investment pool are available on demand to the Funds and are stated at cost, which approximates fair value. The City’s investment policy, interest rate risk, and credit risk may be found in the notes to the City’s basic financial statements.

NOTE D – FARE REVENUE RATIO

Transit operators are required to maintain a fare revenue to operating expenses ratio in order to be eligible for TDA funding. Since the City contracts with BRT for its transit services, no fare revenues are recorded in the City of Oroville’s Transit Fund financial statements. A fare revenue ratio is calculated for BRT in the BCAG audited financial statements.

NOTE E – TRANSFERS

In fiscal year 2021, the City transferred \$7,463 representing the Transit Fund balance to close out the Transit Fund, since BRT is now claiming transit funds directly.





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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 City Council  
City of Oroville, 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 Streets and Roads Fund and Transit Fund (the Funds) of the City of Oroville (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements, and have issued our report thereon dated February 3, 2022.

**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 may exist that have not been identified.

**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 County 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* or the TDA.

To the City Council  
City of Oroville, 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 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*

February 3, 2022