

**CITY OF BAKERSFIELD  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

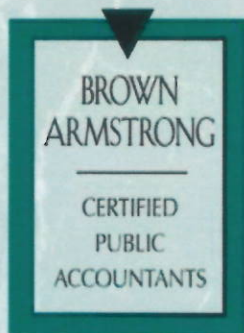
**FISCAL AND COMPLIANCE AUDIT  
PURSUANT TO SECTION 99245 OF THE  
PUBLIC UTILITIES CODE**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

**CITY OF BAKERSFIELD  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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## BROWN ARMSTRONG

*Certified Public Accountants*

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Kern Council of Governments  
Bakersfield, California

To the City Council  
City of Bakersfield  
Bakersfield, California

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#### Report on the Financial Statements

We have audited the accompanying financial statements of the Bikeway and Pedestrian Fund; the Amtrak Operations Fund; the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund; and the State Transportation Fund (collectively, the Transportation Development Act (TDA) Funds) of the City of Bakersfield, California (City), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents. The June 30, 2019, summarized comparative information has been derived from the 2019 financial statements and is included for additional analysis only.

#### 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 from 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 City'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 City's internal control relating to the TDA Funds. 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 respective financial position of the TDA Funds of the City as of June 30, 2020, and the respective changes in their financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, these financial statements present only the TDA Funds of the City pursuant to Section 99245 of the Public Utilities Code and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, or the changes in its 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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 15 through 19 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis (MD&A) 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 GASB 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 MD&A.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020, on our consideration of the City's internal control over financial reporting relating to the TDA Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 relating to the TDA Funds.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 31, 2020

**CITY OF BAKERSFIELD  
BIKEWAY AND PEDESTRIAN FUND  
BALANCE SHEET  
JUNE 30, 2020  
WITH COMPARATIVE TOTALS**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Due from other governments	\$ 529	\$ 129,148
Total current assets	<u>\$ 529</u>	<u>\$ 129,148</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Current liabilities:		
Cash overdraft	\$ 529	\$ 129,148
Total current liabilities	<u>529</u>	<u>129,148</u>
Fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 529</u>	<u>\$ 129,148</u>

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

**CITY OF BAKERSFIELD  
BIKEWAY AND PEDESTRIAN FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Local Transportation Fund	<u>\$ 127,451</u>	<u>\$ 134,400</u>
<b>EXPENDITURES</b>		
Bikeway and pedestrian	<u>127,451</u>	<u>134,400</u>
Change in fund balance	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

**CITY OF BAKERSFIELD  
AMTRAK OPERATIONS FUND  
BALANCE SHEET  
JUNE 30, 2020  
WITH COMPARATIVE TOTALS**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 151,580	\$ 243,263
Due from other governments	5,868	-
Accrued interest receivable	<u>347</u>	<u>1,168</u>
Total current assets	<u>\$ 157,795</u>	<u>\$ 244,431</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Current liabilities:		
Accounts payable	\$ 40,169	\$ 38,000
Unearned revenue	<u>117,626</u>	<u>206,431</u>
Total current liabilities	<u>157,795</u>	<u>244,431</u>
Fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 157,795</u>	<u>\$ 244,431</u>

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

**CITY OF BAKERSFIELD  
AMTRAK OPERATIONS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Local Transportation Fund	\$ 465,169	\$ 521,968
Total revenues	<u>465,169</u>	<u>521,968</u>
<b>EXPENDITURES</b>		
Public works	453,621	510,701
Recreation and parks	<u>15,649</u>	<u>19,700</u>
Total expenditures	<u>469,270</u>	<u>530,401</u>
Deficiency of revenues under expenditures	<u>(4,101)</u>	<u>(8,433)</u>
<b>OTHER FINANCING SOURCES</b>		
Interest	<u>4,101</u>	<u>8,433</u>
Total other financing sources	<u>4,101</u>	<u>8,433</u>
Change in fund balance	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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



**CITY OF BAKERSFIELD  
PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT,  
AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) FUND  
BALANCE SHEET  
JUNE 30, 2020  
WITH COMPARATIVE TOTALS**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Due from other governments	\$ 46,264	\$ 68,609
Total current assets	<u>\$ 46,264</u>	<u>\$ 68,609</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Current liabilities:		
Cash overdraft	\$ 12,951	\$ 50,876
Accounts payable	<u>33,313</u>	<u>17,733</u>
Total current liabilities	<u>46,264</u>	<u>68,609</u>
Fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 46,264</u>	<u>\$ 68,609</u>

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

**CITY OF BAKERSFIELD  
PTMISEA FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
PTMISEA	<u>\$      46,264</u>	<u>\$     485,702</u>
<b>EXPENDITURES</b>		
PTMISEA	<u>          46,264</u>	<u>         485,702</u>
Change in fund balance	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$          -</u></u>	<u><u>\$          -</u></u>

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

**CITY OF BAKERSFIELD  
STATE TRANSPORTATION FUND  
BALANCE SHEET  
JUNE 30, 2020  
WITH COMPARATIVE TOTALS**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Accounts receivables/general receivables	\$ 331	\$ -
Due from other governments	<u>3,777</u>	<u>32,237</u>
Total current assets	<u>\$ 4,108</u>	<u>\$ 32,237</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Current liabilities:		
Cash overdraft	\$ 334	\$ -
Accounts payable	<u>3,774</u>	<u>32,237</u>
Total current liabilities	<u>4,108</u>	<u>32,237</u>
Fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 4,108</u>	<u>\$ 32,237</u>

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

**CITY OF BAKERSFIELD  
STATE TRANSPORTATION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS**

	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Local Transportation Fund	<u>\$ 78,714</u>	<u>\$ 32,237</u>
Total revenues	<u>78,714</u>	<u>32,237</u>
<b>EXPENDITURES</b>		
Capital outlay	<u>78,714</u>	<u>32,237</u>
Total expenditures	<u>78,714</u>	<u>32,237</u>
Change in fund balance	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

**CITY OF BAKERSFIELD  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTES TO THE FUND FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Bikeway and Pedestrian Fund; the Amtrak Operations Fund; the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund; and the State Transportation Fund (collectively, the Transportation Development Act (TDA) Funds) of the City of Bakersfield (City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units pursuant to Section 99245 of the Public Utilities Code. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The TDA provides funding of public transportation through regional planning and programming agencies. Funds are allocated to the City through the county transportation planning agency, Kern Council of Governments. The TDA Funds account for the City's share of the TDA allocations, which are legally restricted for specific purposes as detailed in applicable sections of the Public Utilities Code. The TDA Funds of the City are the Streets and Roads Fund (no activity in recent years), the Amtrak Operations Fund, the Bikeway and Pedestrian Fund, the PTMISEA Fund, and the State Transportation Fund and are included in the financial statements of the City. The TDA Funds are presented combined as a nonmajor governmental fund (State (TDA) Transportation Fund) in the City's financial statements.

The accompanying financial statements present only the TDA Funds of the City and are not intended to present fairly the financial position or changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

**B. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The TDA Funds are specifically categorized as governmental funds which are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**C. Measurement Focus and Basis of Accounting**

The TDA Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Local Transportation Fund (LTF) revenue is recognized when all eligibility requirements imposed by the provider have been met. Revenues are accrued when their receipt occurs within sixty days after the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under the accrual basis of accounting. Revenues that are susceptible to accrual include LTF allocations and interest income.

No new accounting policies were adopted and the application of existing policies was not changed during the year.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **D. Cash and Cash Equivalents**

All City monies are invested in a cash and investments pool, whereby funds can spend cash at any time without prior notice or penalty.

### **E. Fund Balance**

The TDA Funds' financial statements utilize a fund balance presentation. Fund balance is categorized as follows:

**Restricted fund balance** – amounts with constraints placed on the use of the resource that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

### **F. Unearned Revenue**

The Amtrak Operations Fund reports unearned revenue on its balance sheet. Unearned revenue for this fund arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period and when funds have been received prior to eligibility requirements being met. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

### **G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **H. Contingencies**

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

The City is party to claims and lawsuits arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the funds.

## **NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash balances of the TDA Funds are pooled with those of other funds of the City. Investment income resulting from this pooling is allocated among the funds based upon each respective fund's average cash balance in relation to the aggregate investment balance. Further information regarding the City's cash and investment pool may be found in the City's basic financial statements.



### **NOTE 3 – UNEARNED REVENUE**

The LTF and State Transit Assistance (STA) are administered by the Kern Council of Governments, which allocates funds to the City to fund its TDA operations. The TDA requires that any funds not used be returned to their source. LTF and STA allocations are considered earned when they are properly spent for eligible projects. Allocations received but not earned are recorded as unearned revenue. As of June 30, 2020 and 2019, the Amtrak Operations Fund had unearned revenue of \$117,626 and \$206,431, respectively.

### **NOTE 4 – PROPOSITION 1B PTMISEA**

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the PTMISEA. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacements.

During the fiscal year ended June 30, 2020, the City received \$46,264 in funds. The City expended \$46,264 of the funds during the current year. PTMISEA funds are as follows:

<b>Schedule of PTMISEA Proposition 1B Funds For the Fiscal Year Ended June 30, 2020</b>	
<b>Description</b>	<b>Amount</b>
<b>Balance - beginning of the year</b>	<b>\$ -</b>
<b>Receipts:</b>	
Allocations received	46,264
Interest accrued 7/1/2019 through 6/30/2020	-
<b>Expenses:</b>	
PTMISEA related expenses	46,264
<b>Balance - end of year</b>	<b>\$ -</b>

**NOTE 4 – PROPOSITION 1B PTMISEA** (Continued)

During the fiscal year ended June 30, 2019, the City received \$485,702 in funds. The City expended \$485,702 of the funds during the current year. PTMISEA funds are as follows:

<b>Schedule of PTMISEA Proposition 1B Funds For the Fiscal Year Ended June 30, 2019</b>	
<b>Description</b>	<b>Amount</b>
<b>Balance - beginning of the year</b>	<b>\$ -</b>
<b>Receipts:</b>	
Allocations received	485,702
Interest accrued 7/1/2018 through 6/30/2019	-
<b>Expenses:</b>	
PTMISEA related expenses	485,702
<b>Balance - end of year</b>	<b>\$ -</b>

**NOTE 5 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2020, have been evaluated for possible adjustments to the financial statements or disclosures is December 31, 2020, which is the date that the financial statements were available to be issued. There were no other events brought to our attention that were deemed to be reportable at that time.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that are likely to negatively impact course-related income; however, the related financial impact and duration cannot be reasonably estimated at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BAKERSFIELD  
BIKEWAY AND PEDESTRIAN FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Local Transportation Fund	<u>\$ 1,003,730</u>	<u>\$ 127,451</u>	<u>\$ (876,279)</u>
<b>EXPENDITURES</b>			
Bikeway and pedestrian	<u>1,003,730</u>	<u>127,451</u>	<u>876,279</u>
Change in fund balance	<u><u>\$ -</u></u>	<u>-</u>	<u><u>\$ -</u></u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u><u>\$ -</u></u>	

See note to required supplementary information.

**CITY OF BAKERSFIELD  
AMTRAK OPERATIONS FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Local Transportation Fund	\$ 558,489	\$ 465,169	\$ (93,320)
Total revenues	<u>558,489</u>	<u>465,169</u>	<u>(93,320)</u>
<b>EXPENDITURES</b>			
Public Works	529,089	453,621	75,468
Recreation and parks	<u>32,400</u>	<u>15,649</u>	<u>16,751</u>
Total expenditures	<u>561,489</u>	<u>469,270</u>	<u>92,219</u>
<b>OTHER FINANCING SOURCES</b>			
Interest	<u>3,000</u>	<u>4,101</u>	<u>(1,101)</u>
Total other financing sources	<u>3,000</u>	<u>4,101</u>	<u>(1,101)</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

See note to required supplementary information.

**CITY OF BAKERSFIELD  
PTMISEA FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
PTMISEA	<u>\$ 63,394</u>	<u>\$ 46,264</u>	<u>\$ (17,130)</u>
<b>EXPENDITURES</b>			
PTMISEA	<u>63,394</u>	<u>46,264</u>	<u>17,130</u>
Total expenditures	<u>63,394</u>	<u>46,264</u>	<u>17,130</u>
Change in fund balance	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u><u>\$ -</u></u>	

See note to required supplementary information.



**CITY OF BAKERSFIELD  
STATE TRANSPORTATION FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>			
Local Transportation Fund	<u>\$ 467,763</u>	<u>\$ 78,714</u>	<u>\$ (389,049)</u>
Total revenues	<u>467,763</u>	<u>78,714</u>	<u>(389,049)</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>467,763</u>	<u>78,714</u>	<u>389,049</u>
Total expenditures	<u>467,763</u>	<u>78,714</u>	<u>389,049</u>
Change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

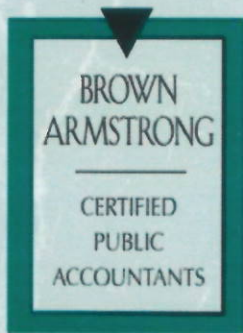
See note to required supplementary information.

**CITY OF BAKERSFIELD  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 1 – BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the Bikeway and Pedestrian Fund, the Amtrak Operations Fund, the PTMISEA Fund, and the State Transportation Fund. The City Manager is authorized to transfer budgeted amounts between departments within any fund and approve reductions of budgeted amounts. Since expenditures may not exceed budgeted appropriations at the fund level, any decisions that alter the total appropriations of any fund are to be approved by the City Council. Projects budgeted within the fiscal year but not yet completed can be reappropriated the following fiscal year with City Manager approval. All other unencumbered appropriations lapse at year-end. Encumbered amounts are reappropriated in the ensuing fiscal year budget.

## OTHER REPORTS



## BROWN ARMSTRONG

*Certified Public Accountants*

### **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**

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To the Board of Directors  
Kern Council of Governments  
Bakersfield, California

To the City Council  
City of Bakersfield  
Bakersfield, California

We have audited, in accordance with the 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 Bikeway and Pedestrian Fund; the Amtrak Operations Fund; the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund; and the State Transportation Fund (collectively, the Transportation Development Act (TDA) Funds) of the City of Bakersfield, California (City), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the TDA Funds' basic financial statements, and have issued our report thereon dated December 31, 2020.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) as it relates to the TDA Funds as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting relating to the TDA Funds. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting relating to the TDA Funds.

*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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a finding, described in the accompanying schedule of findings, which we consider to be a significant deficiency (2020-1).

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the TDA Funds' financial statements are free of material misstatement, we performed tests of the City's 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. 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*.

#### **Purpose of this Report**

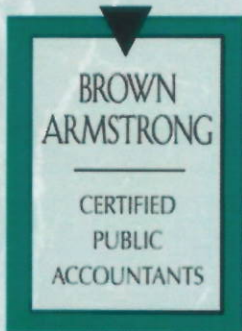
This purpose of this report is solely to describe the scope of our testing of internal control and compliance relating to the TDA Funds and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance relating to the TDA Funds. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance relating to the TDA Funds. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 31, 2020





## BROWN ARMSTRONG

*Certified Public Accountants*

### INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Directors  
Kern Council of Governments  
Bakersfield, California

To the City Council  
City of Bakersfield  
Bakersfield, California

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### Report on Compliance with Transportation Development Act Requirements

We have audited the City of Bakersfield, California's (City) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the Kern Council of Governments as required by Sections 6666 and 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the fiscal year ended June 30, 2020.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the applicable statutes, rules, and regulations of the TDA.

### Auditor's Responsibility

Our responsibility is to express an opinion on each of the City's compliance requirements referred to above. We have conducted our audit of compliance in accordance with the 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Bikeway and Pedestrian Fund; the Amtrak Operations Fund; the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund; and the State Transportation Fund, allocated for transit and/or non-transit purposes, occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

### Opinion on Transportation Development Act Compliance

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to the City for the fiscal year ended June 30, 2020.



## Report on Public Transportation Modernization, Improvement, and Service Enhancement Account

Also, as part of our audit, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements.

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the PTMISEA. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

As of June 30, 2020, all Proposition 1B funds received and expended were verified in the course of our current audit as follows:

Schedule of PTMISEA Proposition 1B Funds For the Fiscal Year Ended June 30, 2020	
Description	Amount
Balance - beginning of the year	\$ -
Receipts:	
Allocations received	46,264
Interest accrued 7/1/2019 through 6/30/2020	-
Expenses:	
PTMISEA related expenses	46,264
Balance - end of year	\$ -

### Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 31, 2020

**CITY OF BAKERSFIELD  
TRANSPORTATION DEVELOPMENT ACT FUNDS  
SCHEDULE OF FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**2020-1 – Unrecorded Liabilities**

**Condition:**

During our testing of unrecorded liabilities, we noted that there were two unrecorded payables as of fiscal year-end.

**Criteria:**

The City of Bakersfield (the City) shall record expenditures and the obligation to pay those expenditures when they are incurred.

**Cause of Condition:**

We determined that this condition was due to error as we had not noted unrecorded liabilities in prior years.

**Effect of Condition:**

Understatement of expenditures and payables as of fiscal year-end.

**Recommendation:**

We recommend that all expenditures incurred near year-end be reviewed to determine in which accounting period the expenditures and corresponding payable should be recorded.

**Management Response:**

The invoice from Granite for \$3,739.47 was not accrued because it was received after the accrual deadline (check run date of July 10) and did not meet the \$5,000 threshold for late accruals.

The invoice from V3 for \$5,686.12 was not accrued due to staff oversight because the invoice date was July 1 and the service dates were in June.