



Date: Tuesday, June 24, 2025

Honorable Mayor and Council Members:

Author and title: Nicole Casey, Administrative Services Director

Title: **Acceptance of the Transit Audit Report for Fiscal Year 2023/24**

Jen Callaway, Town Manager

Recommended Action: That the Council accept the Financial Statements and Independent Auditors Report for the Town of Truckee Transit Fund, as well as the Schedules of Public Transportation, Modernization, Improvement and Enhancement Account (PTMISEA), State of Good Report (SGR), and Low Carbon Transit Operations Program (LCTOP) for the year ended June 30, 2024.

Background: The California Transportation Development Act (TDA) of 1971—also known as the Mills-Alquist-Dedda Act—was enacted to improve and expand public transportation services and promote regional coordination. TDA funding is derived primarily from two sources: the Local Transportation Fund (LTF) and State Transit Assistance (STA). For Nevada County, the Nevada County Transportation Commission (NCTC) administers the regional transportation plan and oversees the allocation and auditing of these funds.

As required by the TDA, the NCTC commissions an annual fiscal audit of all transportation fund activities, including those of the Town of Truckee. This independent audit ensures transparency, fiscal accountability, and compliance with state and regional funding guidelines.

Discussion: The California Transportation Development Act (TDA) of 1971—also known as the Mills-Alquist-Dedda Act—was enacted to improve and expand public transportation services and promote regional coordination. TDA funding is derived primarily from two sources: the Local Transportation Fund (LTF) and State Transit Assistance (STA). For Nevada County, the Nevada County Transportation Commission (NCTC) administers the regional transportation plan and oversees the allocation and auditing of these funds.

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As part of their process, Richardson also considered the Town's transit fund internal controls over financial reporting, as well as compliance with certain provisions of laws, regulations, contracts, and grants. Their testing is not designed to express an opinion over these items. Richardson did not find any instances of noncompliance with the TDA, the *California Code of Regulations*, instructions from NCTC, or any of the grant agreements the Town's transit fund is party to.

Richardson issued a management letter, which identifies issues that, while not material weaknesses, warrant management's attention for internal control improvement.

Observation: Due to Other Town Funds

- Richardson noted that the Transit Fund required a larger short-term loan from the General Fund at June 30, 2024, compared to the previous two fiscal years, to avoid a negative cash balance.
- This same issue was also cited in the prior year's management letter.
- The observation is rooted in timing differences between the Town's expenditures and the receipt of reimbursements from external funding sources, including LTF, STA, and various state and federal grants.

Context and Staff Response

Governmental Accounting Standards Board (GASB) guidance requires that no individual fund carry a negative cash balance at fiscal year-end. While the Town pools cash and does not experience a net cash shortfall overall, this standard requires intra-fund transfers to temporarily balance deficits.

Last year, staff implemented a strategy to expedite grant reimbursement requests but found the approach insufficient to eliminate year-end cash timing issues. Unfortunately, due to the timing of the management letter's receipt, it is unlikely that this issue can be resolved before the close of FY 2024–25, and the comment may recur in next year's audit.

Planned Actions:

- For FY 2025–26, staff will work with NCTC to initiate FY 2026–27 disbursement requests earlier to improve year-end cash balances.
- Staff is also exploring with Richardson whether a formal policy could be adopted to authorize the General Fund to cover temporary year-end cash deficits in the Transit Fund, with the understanding that such advances are not ongoing subsidies and must be explicitly authorized by Council if extended long-term.

Importantly, the auditor clarified that this cash timing issue does not rise to the level of a material weakness. A material weakness is defined as a deficiency—or combination of deficiencies—that creates a reasonable possibility of a material misstatement in the financial statements.

The Town continues to meet its financial reporting obligations in compliance with the TDA and relevant regulations. The one noted management letter item is being proactively addressed. Staff recommends the Council accept the Transit Fund audit for FY 2023–24.

Priority:

<input type="checkbox"/> Enhanced Communication	<input type="checkbox"/> Climate and Greenhouse Gas Reduction	<input type="checkbox"/> Housing
<input checked="" type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input checked="" type="checkbox"/> Core Service

Fiscal Impact: None other than the positive effect on the Town's financial operations and maintenance of the Town's ability to apply for grant funds when a clean audit opinion is received.

Public Communication: The NCTC Board will accept this audit report at a future public meeting.

Attachments:

Attachment A: The Town of Truckee Transit Fund Financial Statements and Independent Auditors' Report with Schedules of PTMISEA, SGR, and LCTOP proceeds for the year ended June 30, 2024

Attachment B: Management Letter