

# City of Newark

## Measure B Funds

Newark, California

*Financial Statements and  
Independent Auditor's Reports*

*For the year ended June 30, 2017*



**City of Newark**  
**Alameda County Transportation Commission – Measure B Funds**  
**Financial Statements**  
**For the year ended June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council  
of the City of Newark  
Newark, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure B Funds (Measure B Funds) of the City of Newark, California (City), as of and for the year ended June 30, 2017 and the related notes to the financial statements.

### 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 opinions 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 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 opinions.

To the Honorable Mayor and Members of City Council  
of the City of Newark  
Newark, California  
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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure B Funds of the City as of June 30, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Measure B Funds and do not purport to, and do not, present fairly the financial positions of the City as of June 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Measure B Funds' financial statements. The budgetary comparison information is presented for purposes of additional analysis and are not a required part of the financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Honorable Mayor and Members of City Council  
of the City of Newark  
Newark, California  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the City's internal control over financial reporting 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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates  
Certified Public Accountants  
Oakland, California  
December 29, 2017

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**City of Newark**  
**Alameda County Transportation Commission- Measure B Funds**  
**Balance Sheets**  
**June 30, 2017**

	Special Revenue Funds				Total
	Measure B	ACTC	ACTC	ACTA	
	ACTC Paratransit	Streets and Roads	Bikes and Pedestrians	Measure B	
<b>ASSETS:</b>					
Cash and investments	\$ 170,323	\$ 568,742	\$ 100,180	\$ 15,857	\$ 855,102
Intergovernmental receivables	29,697	76,579	21,191	-	127,467
<b>Total assets</b>	<b>\$ 200,020</b>	<b>\$ 645,321</b>	<b>\$ 121,371</b>	<b>\$ 15,857</b>	<b>\$ 982,569</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
Accounts payable and accrued liabilities	\$ 107,580	\$ 11,109	\$ 15,339	\$ -	\$ 134,028
<b>Total liabilities</b>	<b>107,580</b>	<b>11,109</b>	<b>15,339</b>	<b>-</b>	<b>134,028</b>
<b>Fund Balances:</b>					
Restricted	92,440	634,212	106,032	15,857	848,541
<b>Total fund balances</b>	<b>92,440</b>	<b>634,212</b>	<b>106,032</b>	<b>15,857</b>	<b>848,541</b>
<b>Total liabilities and fund balances</b>	<b>\$ 200,020</b>	<b>\$ 645,321</b>	<b>\$ 121,371</b>	<b>\$ 15,857</b>	<b>\$ 982,569</b>

**City of Newark**  
**Alameda County Transportation Commission- Measure B Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2017**

	Special Revenue Funds				Total
	Measure B	ACTC	ACTC	ACTA	
	ACTC Paratransit	Streets and Roads	Bikes and Pedestrians	Measure B	
<b>REVENUES:</b>					
Measure B revenue	\$ 192,197	\$ 495,624	\$ 137,150	\$ -	\$ 824,971
Interest Income	955	3,064	540	85	4,644
<b>Total revenues</b>	<b>193,152</b>	<b>498,688</b>	<b>137,690</b>	<b>85</b>	<b>829,615</b>
<b>EXPENDITURES:</b>					
Bikes and Pedestrians	-	-	196,800	-	196,800
Streets and Parks	-	402,759	-	-	402,759
Recreation	186,826	-	-	-	186,826
<b>Total expenditures</b>	<b>186,826</b>	<b>402,759</b>	<b>196,800</b>	<b>-</b>	<b>786,385</b>
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	6,326	95,929	(59,110)	85	43,230
<b>FUND BALANCES:</b>					
Beginning of year	86,114	538,283	165,142	15,772	805,311
End of year	\$ 92,440	\$ 634,212	\$ 106,032	\$ 15,857	\$ 848,541

See accompanying Notes to Financial Statements.

**City of Newark**  
**Alameda County Transportation Commission – Measure B Funds**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Reporting Entity***

All transactions of the Alameda County Transportation Commission – Measure B Funds (Measure B Funds) of the City of Newark, California (City), are included as a separate special revenue fund in the basic financial statements of the City. Measure B Funds are used to account for the City’s share of revenues earned and expenditures incurred under the City’s paratransit, local streets and roads, and bike and pedestrian programs. The accompanying financial statements are for Measure B Funds only and are not intended to fairly present the financial position or results of operations of the City.

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

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available, and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, wherein only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**C. *Fund Accounting***

The operations of the Measure B Funds are accounted for in separate special revenue funds. The funds are separate accounting entities with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenses.

**D. *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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**City of Newark**  
**Alameda County Transportation Commission – Measure B Funds**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**2. MEASURE B FUNDS**

Under Measure B, approved by the voters of Alameda County in 1986 (ACTA Old Measure B) and in 2000, (ACTC Measure B), the City receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation-related expenditures. This measure was adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid for by property taxes but, rather, would be used for additional projects and programs.

Major projects funded by Measure B were as follows:

*Paratransit Program* – To provide transit services for seniors and people with disabilities.

*Streets and Roads Program* – To improve, repair, and overlay city streets.

*Bike and Pedestrian Program* – To provide sidewalk and American Disability Act (ADA) improvements and to implement the bikeway network.

*ACTA Measure B* - This fund accounts for amounts received by ACTA (Alameda County Transportation Authority) as part of a 1986 sales tax measure passed by the voters of Alameda County to finance various transportation improvements. The measure expired in 2002, and the City no longer receives sales tax revenues related to the measure.

**3. CASH AND INVESTMENTS**

Measure B funds are pooled with the City’s cash and investments in order to generate optimum interest income.

The City pools its available cash for investment purposes. The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Measure B Funds had the following cash and investments at June 30, 2017:

Cash and Investments	<u>\$855,102</u>
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**City of Newark**  
**Alameda County Transportation Commission – Measure B Funds**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2017**

**3. CASH AND INVESTMENTS, Continued**

**A. Investments**

Under the provisions of the City’s investment policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Credit Quality Requirements
California Local Agency Investment Fund	None	None	None
Securities of the U.S. Government	5 years	None	None
Banker Acceptances	180 days	40%	None
Collateralized Certificates of Deposit	5 years	50%	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	25%	A-1
Repurchase Agreements	1 year	0.5	None
Reverse Repurchase Agreements	92 days	0.5	None

Under the provisions of bond indentures, the following are authorized investment types for investments held by fiscal agents:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality Requirements
U.S. Treasury Obligations	None	None
Federal Housing Administration Bonds	None	None
U.S. Agency Securities	None	None
Senior Debt Obligations	None	Aaa, AAA
FDIC Insured Deposits	None	None
Unsecured Certificates of Deposits, Time Deposits, and Banker's Acceptances	360 days	A-1, P-1
Commercial Paper	270 days	A-1, P-1
Money Market Funds	None	AAAm, AAAm-G
State Obligations	None	A, A3
Pre-funded Municipal Obligations	None	Aaa, AAA
Investment Agreements	None	AA, Aa
Repurchase Agreements	None	A
California Arbitrage Management Program	None	None
California Local Agency Investment Fund	None	None
Investment approved by Municipal Bond Insurer	None	None

**City of Newark**  
**Alameda County Transportation Commission – Measure B Funds**  
**Notes to Financial Statements, Continued**  
**For the year ended June 30, 2017**

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**3. CASH AND INVESTMENTS, Continued**

**A. Investments, Continued**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units. The City's investments are carried at fair market value as required by generally accepted accounting principles. The City accounts for all changes in fair value that occurred during the year and are reflected in the fund balance for the fiscal year. These investment value changes are unrealized since the City's policy is to generally hold and buy investments until maturity dates.

**B. Risk Disclosures**

Interest Risk – Interest rate risk is the fluctuation in fair value of investments due to changes in interest rates. The City's exposure to losses caused by rising interest rates is minimized by limiting the average maturity of the City's investment not to exceed five years.

Credit Risk – Credit risk is the risk of loss of value of a security or investment due to downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution to reduce the City's exposure to credit risks.

Custodial Credit Risk – The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

**C. Local Agency Investment Fund**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City's investments with LAIF at June 30, 2017, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2017, the City invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at cost which approximates fair value.

**City of Newark**

**Alameda County Transportation Commission – Measure B Funds**

**Notes to Financial Statements, Continued**

**For the year ended June 30, 2017**

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**4. INTERGOVERNMENTAL RECEIVABLES**

The intergovernmental receivables represent the Measure B sales tax revenues for the fiscal year received from the Alameda County Transportation Improvement Authority after June 30, 2017.

**5. COMMITMENTS AND CONTINGENCIES**

The City participates in several grant programs. These programs are subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

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**SUPPLEMENTARY INFORMATION**

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**City of Newark**  
**Alameda County Transportation Commission – Measure B Funds**  
**Supplementary Information**  
**For the year ended June 30, 2017**

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**1. BUDGETS AND BUDGETARY ACCOUNTING**

The Agency follows the City’s budgetary procedures in establishing the budgetary data reflected in the financial statements:

1. Every other year, the City Manager submits to the Governing Board a proposed biennial operating budget for the two fiscal years commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. Public work sessions are conducted to obtain taxpayer comments.
3. The budget is adopted by the Governing Board resolution prior to July 1<sup>st</sup> of even numbered years.
4. Expenditures may not legally exceed budgeted appropriations at the department level.
5. All budget adjustments and transfers between funds must be approved by the Governing Board by resolution during the fiscal year. The City Manager is authorized to transfer any unencumbered appropriations within a department within the same fund.
6. Formal budgetary integration, including the recording of encumbrances, is employed as a management control device during the year in all budgeted funds. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities at that date.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. Budgeted amounts are as originally adopted or as amended by the Governing Board. Individual amendments were not material in relation to the original appropriations, which were amended.

**City of Newark**  
**Supplementary Information, Continued**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Measure B - ACTC Paratransit**  
**For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Measure B revenue	\$ -	\$ 187,000	\$ 192,197	\$ 5,197
Interest Income	-	-	955	955
<b>Total revenues</b>	<b>-</b>	<b>187,000</b>	<b>193,152</b>	<b>6,152</b>
<b>EXPENDITURES:</b>				
Current:				
Recreation		187,000	186,826	174
<b>Total expenditures</b>	<b>-</b>	<b>187,000</b>	<b>186,826</b>	<b>174</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>6,326</b>	<b>\$ 6,326</b>
<b>FUND BALANCE:</b>				
Beginning of year			86,114	
End of year			\$ 92,440	

**City of Newark**  
**Supplementary Information, Continued**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Measure B - ACTC Streets and Roads**  
**For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Measure B revenue	\$ -	\$ -	\$ 495,624	\$ 495,624
Interest Income	-	-	3,064	3,064
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>498,688</b>	<b>498,688</b>
<b>EXPENDITURES:</b>				
Current:				
Streets and Parks	331,000	426,700	402,759	23,941
<b>Total expenditures</b>	<b>331,000</b>	<b>426,700</b>	<b>402,759</b>	<b>23,941</b>
<b>Net change in fund balance</b>	<b>\$ (331,000)</b>	<b>\$ (426,700)</b>	<b>95,929</b>	<b>\$ 522,629</b>
<b>FUND BALANCE:</b>				
Beginning of year			538,283	
End of year			\$ 634,212	

**City of Newark**  
**Supplementary Information, Continued**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Measure B - ACTC Bikes and Pedestrians**  
**For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Measure B revenue	\$ -	\$ -	\$ 137,150	\$ 137,150
Interest Income	-	-	540	540
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>137,690</b>	<b>137,690</b>
<b>EXPENDITURES:</b>				
Bikes and Pedestrians	98,000	162,800	196,800	(34,000)
<b>Total expenditures</b>	<b>98,000</b>	<b>162,800</b>	<b>196,800</b>	<b>(34,000)</b>
<b>Net change in fund balance</b>	<b>\$ (98,000)</b>	<b>\$ (162,800)</b>	<b>(59,110)</b>	<b>\$ 103,690</b>
<b>FUND BALANCE:</b>				
Beginning of year			165,142	
End of year			\$ 106,032	

**City of Newark**  
**Supplementary Information, Continued**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Measure B - ACTA Measure B**  
**For the year ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest Income	\$ -	\$ -	\$ 85	\$ 85
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>85</b>	<b>85</b>
<b>EXPENDITURES:</b>				
Current:				
Streets and parks	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>85</b>	<b>\$ 85</b>
<b>FUND BALANCE:</b>				
Beginning of year			15,772	
End of year			\$ 15,857	