

CITY OF OAKLAND

**ALAMEDA COUNTY TRANSPORTATION
COMMISSION
MEASURE F FUNDS**

**FINANCIAL STATEMENTS
JUNE 30, 2017**



GRANT & SMITH, LLP
Certified Public Accountants

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE F FUNDS
JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda County Transportation Commission (Alameda CTC) - Measure F Funds of the City of Oakland, California (the 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Alameda County Transportation Commission – Measure F Funds of the City of Oakland, California, as of June 30, 2017, and the respective 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 of the Alameda CTC – Measure F Funds of the City of Oakland, California present only the Measure F Funds and are not intended to present fairly the financial position of the City and the results of its operations in conformity with generally accepted accounting principles accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2017, on our consideration of the City of Oakland, California'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 the City of Oakland, California's internal control over financial reporting and compliance.



Oakland, California
November 2, 2017



**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE F FUNDS
BALANCE SHEET
AS OF JUNE 30, 2017**

	Streets & Roads	Total
ASSETS		
Cash & Cash Equivalents	\$ 978,020	\$ 978,020
Receivables:		
Measure F Allocation	321,654	321,654
Interest	2,172	2,172
Prepaid Expenditures		-
	\$ 1,301,846	\$ 1,301,846
LIABILITIES & FUND BALANCES		
LIABILITIES:		
Accounts Payable	\$ 39,565	\$ 39,565
	39,565	39,565
FUND BALANCE:		
Temporarily Restricted Fund Balance	1,262,281	1,262,281
	\$ 1,301,846	\$ 1,301,846

See accompanying notes.

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE F FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Streets & Roads</u>	<u>Total</u>
REVENUES:		
Measure F Allocation	\$ 1,795,282	\$ 1,795,282
Interest on Investments	7,545	7,545
Unrealized Gain/Loss	<u>(1,970)</u>	<u>(1,970)</u>
TOTAL REVENUES	<u>1,800,857</u>	<u>1,800,857</u>
EXPENDITURES:		
Public Works		
Professional & Specialized Services	<u>2,928,444</u>	<u>2,928,444</u>
TOTAL EXPENDITURES	<u>2,928,444</u>	<u>2,928,444</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,127,587)	(1,127,587)
BEGINNING FUND BALANCE	<u>2,389,868</u>	<u>2,389,868</u>
ENDING FUND BALANCE	<u>\$ 1,262,281</u>	<u>\$ 1,262,281</u>

See accompanying notes.

CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE F FUNDS
Notes to Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measure F, approved and reauthorized by the voters of the City of Oakland on November, 2010, authorized Alameda CTC to administer the proceeds from a \$10 per year vehicle registration fee on each annual motor-vehicle registration or renewal of registration in the City of Oakland. The program is effective until June 30, 2022. Transactions of the Alameda CTC Measure F funds of the City of Oakland are included, as separate funds, in the basic financial statements of the City of Oakland. The City of Oakland uses Measure F Funds to account for expenditures incurred in the City's Local Streets and Roads.

The accompanying financial statements are for Measure F Funds only, and are not intended to fairly present the financial position of the City of Oakland and the results of its operations and changes in fund balances.

Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the *current financial resources measurement focus* and the *modified accrual* basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 120 days after the end of the current fiscal year. Expenditures are recorded when the liability is incurred and is expected to be liquidated with expendable available resources.

Cash and Investments

Cash and investments for Measure F Funds are maintained in the City's cash and investment pool. Funds are invested according to the investment policy adopted by the City Council. Investments are generally carried at fair value. Relevant information about the separate portion of the investment pool related to Measure F is not available.

Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2017 Comprehensive Annual Financial Report (CAFR) under the basic financial statements. Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds based on their proportionate share of the average daily cash balance.

CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE F FUNDS
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Balances

Reservations of fund balances indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to specific use. Encumbrances outstanding at fiscal year end are reported as reservation of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

At June 30, 2017, \$1,262,281 of Measure F fund balance was temporarily restricted for use in programs imposed by Alameda CTC stipulations. These stipulations may expire with time or may be satisfied and removed by the actions of Alameda CTC. Upon expiration, satisfaction or removal, the associated net assets are released from temporary restriction and reported as unrestricted fund balances.

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 balances. Accordingly, actual results could differ from those estimates.

NOTE 2 – SELF INSURANCE

The City of Oakland is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City is self-insured for its general liability, worker's compensation, malpractice liability, general and auto liability and has excess reinsurance with the California State Association of Counties.

NOTE 3 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2017, \$320,144 of Measure F Funds were committed to cover anticipated costs of completing street resurfacing projects and programs. Of the balance of \$942,137, the City will appropriate for various capital improvements street resurfacing projects.

CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE F FUNDS
Notes to Financial Statements
June 30, 2017

NOTE 4 – MEASURE F FUNDS IN THE CITY’S BASIC FINANCIAL STATEMENTS

Measure F funds are grouped with other funds under “Traffic Safety and Control” as a part of Non Major Governmental Funds (Special Revenue Funds) in the City’s June 30, 2017, Comprehensive Annual Financial Report (CAFR) under the basic financial statements. That report may be obtained by writing to the Financial Management Agency, Accounting Division City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093.

Cash and Investments of Measure F Funds as reported in the City’s June 30, 2017, basic financial statements and as reported in the current financial statements are the same.



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

To the Honorable Mayor and Members of the
City Council of the City of Oakland
Oakland, 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 Measure F Funds of the City of Oakland (the City), California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Oakland, California's basic financial statements, and have issued our report thereon dated November 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Oakland, California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Oakland, California's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Oakland, California'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 a 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 may exist that have not been identified.

**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
(Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland, California'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 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

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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grant & Smith, LLP

Oakland, California
November 2, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
MEASURE F REQUIREMENTS**

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

Report on Compliance

We have audited the City of Oakland's, California (City)'s compliance with the types of compliance requirements described in the agreement between the City and Alameda County Transportation Commission applicable to Measure F Funds, that could have a direct and material effect on the City's Measure F Funds, for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its Measure F Funds.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the agreement between the City and Alameda County Transportation Commission applicable to Measure F Funds. Those standards and the agreement 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 Measure F Funds. 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.

We believe that our audit provides a reasonable basis for our opinion on compliance for Measure F Funds. However, our audit does not provide a legal determination of the City's compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
MEASURE F REQUIREMENTS (Continued)**

Opinion on Measure F Funds

In our opinion, the City of Oakland is in compliance with the laws and regulations, contracts, and grant requirements related to Measure F funds as specified in the agreement between the City and the Alameda County Transportation Commission for the year ended June 30, 2017.

The purpose of this report on compliance is solely to describe the scope of our testing over compliance and the results of that testing based on the requirements of agreement between the City and Alameda County Transportation Commission. Accordingly, this report is not suitable for any other purpose.

Grant & Smith LLP

Oakland, California
November 2, 2017