

City of Dublin

Measure F Alameda County Vehicle Registration Fee Fund

Dublin, California

*Financial Statements and
Independent Auditor's Reports*

For the year ended June 30, 2018

City of Dublin
Measure F Alameda County Vehicle Registration Fee Fund
Financial Statements
For the year ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure F Alameda County Vehicle Registration Fee Fund (VRF Fund) of the City of Dublin, California (City), as of and for the year ended June 30, 2018 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 Dublin
Dublin, California
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the VRF Fund of the City as of June 30, 2018, 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 VRF Fund and do not purport to, and do not, present fairly the financial positions of the City as of June 30, 2018, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, 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.



Badawi & Associates
Certified Public Accountants
Oakland, California
December 11, 2018

City of Dublin
Measure F Alameda County Vehicle Registration Fee Fund
Balance Sheet
June 30, 2018

	<u>Total</u>
ASSETS:	
Cash and investments	\$ 301,461
Direct local distribution program receivables	48,890
Other receivables	<u>3,536</u>
Total assets	<u>\$ 353,887</u>
LIABILITIES AND FUND BALANCES:	
Other accrued liabilities	<u>\$ 63,270</u>
Total liabilities	<u>63,270</u>
Fund Balance:	
Restricted	<u>290,617</u>
Total fund balance	<u>290,617</u>
Total liabilities and fund balance	<u>\$ 353,887</u>

See accompanying Notes to Financial Statements.

City of Dublin
Measure F Alameda County Vehicle Registration Fee Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2018

	<u>Total</u>
REVENUES:	
Measure F revenues	\$ 282,389
Use of money and property	<u>3,958</u>
Total revenues	<u>286,347</u>
EXPENDITURES:	
Contractual services	<u>203,246</u>
Total expenditures	<u>203,246</u>
REVENUES OVER EXPENDITURES	83,101
FUND BALANCE:	
Beginning of year	<u>207,516</u>
End of year	<u>\$ 290,617</u>

See accompanying Notes to Financial Statements.

City of Dublin
Measure F Alameda County Vehicle Registration Fee Fund
Notes to Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

All transactions of the Measure F Alameda County Vehicle Registration Fees are reported in a special revenue fund (VRF Fund) of the City of Dublin, California (City). The special revenue fund is included as part of the State Construction and Maintenance fund in the basic financial statements of the City. The Fund is used to account for the City's revenues earned and expenditures incurred under the City's various street maintenance and construction projects. The accompanying financial statements are for the VRF Fund only and are not intended to fairly present the financial position of the City.

B. *Basis of Accounting*

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 VRF Fund are accounted for as part of the State Construction and Maintenance Fund. Funds are separate accounting entities with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenditures.

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 Dublin
Measure F Alameda County Vehicle Registration Fee Fund
Notes to Financial Statements
For the year ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash, Cash Equivalents and Investments

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.

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

F. Revenues and Receivables

During the course of normal operations, the fund carries various receivable balances for intergovernmental revenue and interest. Revenues are recorded when received in cash, except revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the fund, are Measure F vehicle registration fees.

City of Dublin
Measure F Alameda County Vehicle Registration Fee Fund
Notes to Financial Statements
For the year ended June 30, 2018

2. MEASURE F ALAMEDA COUNTY VEHICLE REGISTRATION FEES

The Measure F Alameda County Vehicle Registration Fee (VRF) Program was approved by the voters in November 2010, with 63 percent of the vote. The fee will generate about \$10.7 million per year by a \$10 per year vehicle registration fee. The collection of the \$10 per year vehicle registration fee started in the first week of May 2011.

The goal of the VRF program is to sustain the County's transportation network and reduce traffic congestion and vehicle related pollution. The program includes four categories of projects:

- Local Road Improvement and Repair Program (60 percent)
- Transit for Congestion Relief (25 percent)
- Local Transportation Technology (10 percent)
- Pedestrian and Bicyclist Access and Safety Program (5 percent)

3. CASH AND INVESTMENTS

The VRF Fund's cash and investments 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.

VRF Fund had the following cash and investments at June 30, 2018:

Cash and Investments	\$	<u>301,461</u>
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City of Dublin
Measure F Alameda County Vehicle Registration Fee Fund
Notes to Financial Statements
For the year ended June 30, 2018

3. CASH AND INVESTMENTS, Continued

A. Investments

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Negotiable Certificates of Deposit	5 years	A-1	30%	20%
Bankers' Acceptance	180 days	A-1	40%	20% of Portfolio
U.S. Treasury Bills and Notes	5 years	N/A	No Limit	No Limit
U.S. Government Agency Securities	5 years	N/A	25% for callable	35%
California Asset Management Program	N/A	N/A	No Limit	No Limit
Commercial Paper	270 days	A-1	25%	20% of Portfolio
Time Certificates of Deposit	1 year	N/A	10%	No Limit
State Local Agency Investment Fund	N/A	N/A	No Limit	No Limit
Asset-Backed Securities	N/A	AA	20%	5%
Medium_Term Notes	5 years	A	30%	5%
Money Market Funds	N/A	AAA	20%	No Limit
Municipal Securities	5 years	A	No Limit	5%
Supranationals	5 years	AA	30%	10%

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 hold and buy investments until maturity dates.

City of Dublin
Measure F Alameda County Vehicle Registration Fee Fund
Notes to Financial Statements
For the year ended June 30, 2018

3. CASH AND INVESTMENTS, Continued

B. Risk Disclosures

Interest Risk – Interest rate risk is the fluctuation in fair value of investment 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 City’s investments with LAIF at June 30, 2018, 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 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, 2018, the City had invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.89% in the previous year. The LAIF fair value factor of 0.998126869 was used to calculate the fair value of the investments in LAIF.

4. DIRECT LOCAL DISTRIBUTION PROGRAM RECEIVABLES

The receivables represent the Measure F VRF revenues for the fiscal year received from the Alameda County Transportation Commission after June 30, 2018.

City of Dublin

Measure F Alameda County Vehicle Registration Fee Fund

Notes to Financial Statements

For the year ended June 30, 2018

5. COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs are subject to any 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.



**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 City Council of the City of Dublin
Dublin, 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 Alameda County Vehicle Registration Fee Fund (VRF Fund) of the City of Dublin, California (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2018.

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) 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'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 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.

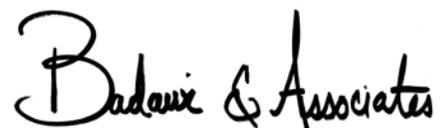
To the Honorable Mayor and Members of City Council of the City of Dublin
Dublin, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the VRF Fund'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.

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

Badawi and Associates
Certified Public Accountants
Oakland, California
December 11, 2018



INDEPENDENT AUDITOR'S REPORT ON MEASURE F COMPLIANCE

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

Compliance

We have audited the City of Dublin's (City) compliance with the types of compliance requirements described in the agreement between the City and Alameda County Transportation Commission applicable to the City's Measure F Alameda County Vehicle Registration Fee Fund (VRF Fund) for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the VRF Fund.

Auditor's Responsibility

Our responsibility is to express an opinion on 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 Alameda County Vehicle Registration Fee Fund. 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 the VRF Fund. 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 VRF Fund. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Measure F Funds

In our opinion, the City complied, in all material respects, with the types of compliance requirements related to the agreement between the City and Alameda County Transportation Commission applicable to the VRF Fund for the year ended June 30, 2018.

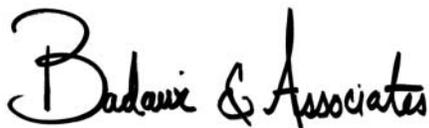
Report on Internal Control Over Compliance

Management of City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Badawi and Associates
Certified Public Accountants
Oakland, California
December 11, 2018