

CITY OF SAN LEANDRO, CALIFORNIA

**MEASURE BB PROGRAM
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2019

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**CITY OF SAN LEANDRO
MEASURE BB PROGRAM
Financial Statements
For the Year Ended June 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of San Leandro, California

Report on Financial Statements

We have audited the accompanying financial statements of the Alameda County Transportation Commission - Measure BB Program (Program) of the City of San Leandro, California (City), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the Table of Contents.

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 the 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 Measure BB Program'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 Measure BB Program'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure BB Program as of June 30, 2019, 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 BB Program and do not purport to, and do not present fairly the financial position of the City as of June 30, 2019, the changes in the financial position, or where applicable, its cash flows 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 19, 2019 on our consideration of the Measure BB Program'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 Measure BB Program's internal control over financial reporting and compliance.



Pleasant Hill, California
December 19, 2019

CITY OF SAN LEANDRO
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB PROGRAM
BALANCE SHEET
JUNE 30, 2019

	Paratransit	Bike and Pedestrian	Local Streets and Roads	Totals
ASSETS				
Cash and investments (Note 3)	\$878,191		\$1,647,188	\$2,525,379
Direct local distribution program receivable - Measure BB	46,591	\$41,247	250,592	338,430
Interest Receivable	2,443	80	1,141	3,664
	<u>\$927,225</u>	<u>\$41,327</u>	<u>\$1,898,921</u>	<u>\$2,867,473</u>
Total Assets	<u>\$927,225</u>	<u>\$41,327</u>	<u>\$1,898,921</u>	<u>\$2,867,473</u>
LIABILITIES				
Due to the City		\$36,818		\$36,818
Total Liabilities		<u>36,818</u>		<u>36,818</u>
FUND BALANCES				
Restricted for Measure BB Programs	<u>\$927,225</u>	<u>4,509</u>	<u>\$1,898,921</u>	<u>2,830,655</u>
Total Liabilities and Fund Balances	<u>\$927,225</u>	<u>\$41,327</u>	<u>\$1,898,921</u>	<u>\$2,867,473</u>

See accompanying notes to financial statements

CITY OF SAN LEANDRO
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Paratransit</u>	<u>Bike and Pedestrian</u>	<u>Local Streets and Roads</u>	<u>Totals</u>
REVENUES				
Measure BB direct local distribution funds allocation	\$283,433	\$250,918	\$1,524,445	\$2,058,796
Interest income	693	614	3,732	5,039
Total Revenues	<u>284,126</u>	<u>251,532</u>	<u>1,528,177</u>	<u>2,063,835</u>
EXPENDITURES				
Annual Overlay/Rehabilitation 2015-16			6,775	6,775
Annual Overlay/Rehabilitation 2016-17			2,268	2,268
Street Overlay/Rehabilitation 2017-18			255,945	255,945
Traffic Safety - K8 Students & Sr. Adults			92	92
Annual Sidewalk Program 2012-13		3,558		3,558
Bike & Pedestrian Master Plan Update		1,504		1,504
Annual Sidewalk Repair 2016-17		186,733		186,733
Pedestrian Crossing Improvements 2016-17		122,336	403,654	525,990
Bicycle Network West		31,128		31,128
Street Sealing 2018-19			40,616	40,616
Measure B GAP	79,264			79,264
Total Expenditures	<u>79,264</u>	<u>345,259</u>	<u>709,350</u>	<u>1,133,873</u>
NET CHANGE IN FUND BALANCE	204,862	(93,727)	818,827	929,962
FUND BALANCES				
Beginning Fund Balance	722,363	98,236	1,080,094	1,900,693
Ending Fund Balance	<u>\$927,225</u>	<u>\$4,509</u>	<u>\$1,898,921</u>	<u>\$2,830,655</u>

See accompanying notes to financial statements

**CITY OF SAN LEANDRO
MEASURE BB PROGRAM
Notes to the Financial Statements
For the Year Ended June 30, 2019**

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

Reporting Entity – All transactions of the Alameda County Transportation Commission – Measure BB Funds (Measure BB Program) of the City of San Leandro, California (City), are included as separate special revenue fund and capital project funds in the basic financial statements of the City. Measure BB Program is used to account for the City’s share of revenues earned and expenditures incurred under the City paratransit, streets and roads, and bike and pedestrian programs.

The accompanying financial statements are for the Measure BB Program only and are not intended to fairly present the financial position, results of operations and cash flows of the City in conformity with accounting principles generally accepted in the United States of America.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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 sheets. Operating statements of governmental funds presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Description of Funds – The accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts.

The following fund is used:

Special Revenue Fund – to account for the proceeds of specific revenues (other than for capital projects) that are legally restricted to be expended for specified purposes (specifically, the paratransit program). Capital project funds are utilized to account for resources used for the acquisition and construction of capital facilities by the City, with the exception of those assets financed by proprietary funds.

Use of Estimates - Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**CITY OF SAN LEANDRO
MEASURE BB PROGRAM
Notes to the Financial Statements
For the Year Ended June 30, 2019**

NOTE 3- CASH AND INVESTMENTS

Cash and investments are maintained on a pooled basis with those of other funds of the City. Pooled cash and investments consist of U.S. government securities, bankers' acceptances, commercial paper, medium term notes, repurchase agreements, deposits with banks, and participation in the California Local Agency Investment Fund. All investments are stated at fair value. Pooled investment earnings are allocated monthly based on the average monthly cash and investment balances of the various funds and related entities of the City.

See the City's Comprehensive Annual Financial Report (CAFR) for disclosures related to cash and investments as prescribed by Governmental Accounting Standards Board. The CAFR may be obtained from the City of San Leandro, 835 East 14th Street, San Leandro, California 94577-3767.

NOTE 4- MEASURE BB PROGRAM

Under Measure BB, approved by the voters of Alameda County in 2014, the City receives a portion of the proceeds of an additional 1 percent sales tax to be used for transportation-related expenditures. These measures were adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid by property taxes but, rather, would be used for additional projects and programs.

Projects funded by Measure BB were as follows: *Paratransit Program* – To provide transit services for the elderly and the handicapped, *Streets and Roads Program*; and *Bike and Pedestrian Program*.



INDEPENDENT AUDITOR'S REPORT ON MEASURE BB COMPLIANCE

To the Honorable Mayor and Members of the City Council
City of San Leandro, California

Report on Compliance for Measure BB Program

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 Alameda County Transportation Commission - Measure BB Program of the City of San Leandro, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants specified in the *Master Programs Funding Agreement* between the City and the Alameda County Transportation Commission.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Measure BB Program based on our audit of the types of compliance requirements referred to above. 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 requirements specified in the *Master Programs Funding Agreement* between the City and the Alameda County Transportation Commission. Those standards and requirements 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 Measure BB Program. 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 the Measure BB Program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Measure BB Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Measure BB Program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management 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 with the types of requirements that could have a direct and material effect on the Measure BB Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Measure BB Program and to test and report on internal control over 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 the 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 Measure BB 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 Measure BB 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 the Measure BB 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 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 weaknesses 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. However, we identified certain deficiencies in internal control over compliance, as described in item 2019-01 in the accompanying Schedule of Current Year Findings and Responses, that we consider to be a significant deficiency.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Current Year Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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 specified in the *Master Programs Funding Agreement* between the City and the Alameda County Transportation Commission. Accordingly, this report is not suitable for any other purpose.



Pleasant Hill, California
December 19, 2019

**CITY OF SAN LEANDRO
MEASURE BB PROGRAM
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

2019-01 – Fixed Cost Personnel Charges Applied to Measure B and BB Programs

Criteria: Alameda County Transportation Commission (ACTC) Implementation Guidelines Section 5 states that Measure B and BB funds can be used on direct staff and consultant costs to develop, plan, implement, operate, and maintain the bicycle and pedestrian projects and programs. It further states that direct costs are defined as, hourly project staff labor charges (salaries, wages and benefits) which are directly and solely related to Measure B and BB projects. Any indirect costs including salaries, must be approved by an independently audited/approved Indirect Cost Allocation Plan submitted to ACTC.

Condition: During our testing of expenditures charged to Measures B and BB for fiscal year 2018-19, we found that in each pay period for employees who had zero hour charged to Measure B and BB projects, the City allocated 2% of their salaries and benefits to the Measure B and BB funds. However, the City does not have an approved indirect cost allocation plan with ACTC.

Effect: The City is not in compliance with ACTC Implementation Guidelines and its agreement with ACTC.

Cause: The City believes that the 2% allocation represents actual staff hours spent on the Programs. However, for convenience purposes, the City does not require staff to fill out timesheets under certain circumstances, hence, did not have the timecards to support the 2% charges to Measure B and BB.

Recommendation: The City should adopt an ACTC-approved indirect cost allocation plan or discontinue charging a fixed allocated salary and benefit cost to the Measure B and BB Funds. In addition, the City should work with ACTC in regarding the fixed costs that were previously charged to the Funds for the possibility of retroactively applying the ACTC-approved indirect cost allocation plan to those periods.

Management's Response: The City agrees with this recommendation and:

1. Beginning fiscal year 2019/20, the City will require staff to fill out time sheets so that personnel charges applied to the programs are supported by timecards.
2. The City will work with ACTC regarding the previously charged personnel costs to the programs for the possibility of making retroactive adjustments where necessary.

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