



CITY OF NEWARK
MEASURE BB FUNDS
NEWARK, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENTS

Focused
on YOU



CITY OF NEWARK
MEASURE BB FUNDS
NEWARK, CALIFORNIA
FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2021

CITY OF NEWARK
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 NEWARK, CALIFORNIA
 FINANCIAL STATEMENTS
 FOR FISCAL YEAR ENDED JUNE 30, 2021
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Alameda County Transportation Commission Measure BB Funds (Measure BB Funds) of the City of Newark (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Measure BB Funds' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure BB Funds of the City, as of June 30, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the financial statements, the financial statements are prepared in accordance with the Alameda County Transportation Commission Measure BB agreement which requires that financial statements present only the activities relating to the program, and does not purport to present fairly, the financial position of the City as of June 30, 2021, 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.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the date of the financial statements.





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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

The budgetary comparison information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial



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

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Restriction of Use

Our report is intended solely for the information and use of the City and the Alameda County Transportation Commission, and is not intended to be, and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021 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 solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Solt & Lughard, LLP". The signature is written in a cursive, flowing style.

Sacramento, California
December 21, 2021

CITY OF NEWARK
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB FUNDS

BALANCE SHEETS
JUNE 30, 2021

	<u>Paratransit</u>	<u>Local Streets and Roads</u>	<u>Bicycle and Pedestrian</u>	<u>Totals</u>
Assets				
Cash and investments	\$ 560,123	\$ 1,036,888	\$ 143,439	\$ 1,740,450
Intergovernmental receivables	28,673	109,286	28,998	166,957
Total Assets	<u>\$ 588,796</u>	<u>\$ 1,146,174</u>	<u>\$ 172,437</u>	<u>\$ 1,907,407</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ 23,650	\$ 87,463	\$ 111,113
Total Liabilities	<u>-</u>	<u>23,650</u>	<u>87,463</u>	<u>111,113</u>
Deferred Inflows of Resources				
Unavailable Revenue	14,578	55,562	14,743	84,883
Total Deferred Inflows of Resources	<u>14,578</u>	<u>55,562</u>	<u>14,743</u>	<u>84,883</u>
Fund Balances				
Restricted	574,218	1,066,962	70,231	1,711,411
Total Fund Balances	<u>574,218</u>	<u>1,066,962</u>	<u>70,231</u>	<u>1,711,411</u>
Total Liabilities and Fund Balances	<u>\$ 588,796</u>	<u>\$ 1,146,174</u>	<u>\$ 172,437</u>	<u>\$ 1,907,407</u>

CITY OF NEWARK
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE BB FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Paratransit</u>	<u>Local Streets and Roads</u>	<u>Bicycle and Pedestrian</u>	<u>Totals</u>
Revenues				
Measure BB revenue	\$ 126,466	\$ 482,017	\$ 127,897	\$ 736,380
Use of money and property	1,665	3,265	244	5,174
Total Revenues	<u>128,131</u>	<u>485,282</u>	<u>128,141</u>	<u>741,554</u>
Expenditures				
Streets and Parks	-	-	57,910	57,910
Total Expenditures	<u>-</u>	<u>-</u>	<u>57,910</u>	<u>57,910</u>
Excess of Revenues Over Expenditures	128,131	485,282	70,231	683,644
Fund Balances, Beginning of Year, as restated	446,087	581,680	-	1,027,767
Fund Balances, End of Year	<u>\$ 574,218</u>	<u>\$ 1,066,962</u>	<u>\$ 70,231</u>	<u>\$ 1,711,411</u>

**CITY OF NEWARK
ALAMEDA COUNTY TRANSPORTATION COMMISSION – MEASURE BB FUNDS**

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 1: Summary of Significant Accounting Policies

a. Reporting Entity

All transactions of the Alameda County Transportation Commission – Measure BB Funds (Measure BB 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 BB 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 BB 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 BB 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 BB FUNDS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Note 2: Measure BB Funds

Under Measure BB, approved by the voters of Alameda County in 2014, 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 BB 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.

Note 3: Cash and Investments

Measure BB 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 BB Funds had the following cash and investments at June 30, 2021:

Cash and Investments \$ 1,740,450

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 Deposits	5 years	50%	None
Negotiable Certificates of Deposits	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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Note 3: Cash and 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, 2021, 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.

**CITY OF NEWARK
ALAMEDA COUNTY TRANSPORTATION COMMISSION – MEASURE BB FUNDS**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Note 3: Cash and Investments (Continued)

As of June 30, 2021, the City invested in LAIF, which had invested 2.31% 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.

Note 4: Intergovernmental Receivables

The intergovernmental receivables represent the Measure BB sales tax revenues for the fiscal year received from the Alameda County Transportation Commission after June 30, 2021.

Note 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.

Note 6: Restatement of Fund Balance

The June 30, 2020 balances have been restated as follows:

<u>Local Streets and Roads Fund</u>	<u>Amount</u>
June 30, 2020, as reported	\$ 643,001
Restatement	<u>(61,321)</u>
June 30, 2020, as restated	<u>\$ 581,680</u>
<u>Bicycle and Pedestrian Fund</u>	<u>Amount</u>
June 30, 2020, as reported	\$ 321,154
Restatement	<u>(321,154)</u>
June 30, 2020, as restated	<u>\$ -</u>

The restatement was required to record prior year expenses in the Measure BB Bicycle and Pedestrian fund, which were not initially reported as of June 30, 2020.

Note 7: COVID-19 National Health Emergency

On March 15, 2020, the City's operations were impacted by the COVID-19 national health emergency which resulted in shelter in place orders by national, state and county health departments. The City implemented customer and staff safety procedures based on recommendations from the health departments and industry specialists. In addition, projects were not significantly delayed due to this. The majority of the City's revenues relating to Measure BB consist primarily of predetermined allocations. As such, the City's revenue has not been significantly impacted by the health emergency. The City continues to evaluate the impact of this health emergency on the City's operations.

SUPPLEMENTARY INFORMATION

**CITY OF NEWARK
ALAMEDA COUNTY TRANSPORTATION COMMISSION – MEASURE BB FUNDS**

**NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

Note 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 1st. 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 1st 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
 ALAMEDA COUNTY TRANSPORTATION COMMISSION
 MEASURE BB - ACTC PARATRANSIT

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Measure BB revenue	\$ 120,000	\$ 126,466	\$ 6,466
Use of money and property	-	1,665	1,665
Total Revenues	<u>120,000</u>	<u>128,131</u>	<u>8,131</u>
Expenditures			
Streets and Parks	220,000	-	(220,000)
Total Expenditures	<u>220,000</u>	<u>-</u>	<u>(220,000)</u>
Excess of Revenues Over Expenditures	<u>\$ (100,000)</u>	128,131	<u>\$ 228,131</u>
Fund Balances, Beginning of Year		<u>446,087</u>	
Fund Balances, End of Year		<u>\$ 574,218</u>	

CITY OF NEWARK
 SUPPLEMENTARY INFORMATION
 ALAMEDA COUNTY TRANSPORTATION COMMISSION
 MEASURE BB - ACTC LOCAL STREETS AND ROADS

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Measure BB revenue	\$ 456,000	\$ 482,017	\$ 26,017
Use of money and property	-	3,265	3,265
Total Revenues	<u>456,000</u>	<u>485,282</u>	<u>29,282</u>
Expenditures			
Streets and Parks	611,415	-	(611,415)
Total Expenditures	<u>611,415</u>	<u>-</u>	<u>(611,415)</u>
Excess of Revenues Over Expenditures	<u>\$ (155,415)</u>	485,282	<u>\$ 640,697</u>
Fund Balances, Beginning of Year		<u>581,680</u>	
Fund Balances, End of Year		<u>\$ 1,066,962</u>	

CITY OF NEWARK
 SUPPLEMENTARY INFORMATION
 ALAMEDA COUNTY TRANSPORTATION COMMISSION
 MEASURE BB - ACTC BICYCLE AND PEDESTRIAN

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Measure BB revenue	\$ 121,000	\$ 127,897	\$ 6,897
Use of money and property	-	244	244
Total Revenues	<u>121,000</u>	<u>128,141</u>	<u>7,141</u>
Expenditures			
Streets and Parks	295,000	57,910	(237,090)
Total Expenditures	<u>295,000</u>	<u>57,910</u>	<u>(237,090)</u>
Excess of Revenues Over Expenditures	<u>\$ (174,000)</u>	70,231	<u>\$ 244,231</u>
Fund Balances, Beginning of Year, as restated		-	
Fund Balances, End of Year		<u>\$ 70,231</u>	



INDEPENDENT AUDITORS' 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
City of Newark, 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 Alameda County Transportation Commission Measure BB Funds (Measure BB Funds) of the City of Newark, California (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Measure BB Funds' basic financial statements, and have issued our report thereon dated December 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over the Measure BB Funds' financial reporting (internal control) as a basis for designing 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure BB Funds' 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 financial statements. 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*.





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

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Solt & Lughard, LLP

Sacramento, California
December 21, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance

Opinion on the Measure BB Funds

We have audited the compliance of the City of Newark, California (the City), with the types of compliance requirements described in the agreement with the Alameda County Transportation Commission, that are applicable to its Measure BB Funds for the year ended June 30, 2021.

In our opinion, the City complied, in all material respects, with the types of compliance that could have a direct and material effect on the requirements referred to above applicable to the Measure BB Fund for the year ended June 30, 2021.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements specified in the Master Programs Funding Agreement between City and the Alameda County Transportation Commission. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Measure BB Fund and the City, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Measure BB Fund's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to its agreement with the Alameda County Transportation Commission.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of



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

not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Measure BB Fund's compliance with the requirements specified in the Master Programs Funding Agreement between City and the Alameda County Transportation Commission.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the compliance requirements referred to above, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Master Program's Funding Agreement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance of the Measure BB Fund

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 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 compliance requirement 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 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 in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



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

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 described in the agreement with the Alameda County Transportation Commission that are applicable to its Measure BB Funds. Accordingly, this report is not suitable for any other purpose.

Lance, Solt & Lingham, LLP

Sacramento, California
December 21, 2021