

**City of
Berkeley**
Alameda County
**Transportation Commission -
Measure BB Funds**
Berkeley, California

*Financial Statements and
Independent Auditor's Reports*
For the year ended June 30, 2023

City of Berkeley
Alameda County Transportation Commission – Measure BB Funds

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Measure BB Funds (Measure BB Funds) of the Berkeley, City of, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Measure BB Funds of the City, as of June 30, 2023, 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 Measure BB Funds of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure BB Funds and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, the changes in its 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.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the 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 Measure BB Funds' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 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, 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Measure BB Funds' 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 Measure BB Funds' 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.

To the Honorable Mayor and Members of the City Council
of the City of Berkeley
Berkeley, California
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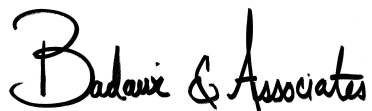
Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 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 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.



Badawi and Associates
Berkeley, California
December 15, 2023

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City of Berkeley
Alameda County Transportation Commission - Measure BB Funds
Balance Sheet
June 30, 2023

	Special Revenue Funds			Total
	ACTC Streets and Roads	ACTC Bike and Pedestrian	ACTC Paratransit	
ASSETS				
Cash and investments	\$ 9,339,630	\$ 434,266	\$ 688,515	\$ 10,462,411
Taxes receivable	1,328,104	152,277	141,654	1,622,035
Total assets	\$ 10,667,734	\$ 586,543	\$ 830,169	\$ 12,084,446
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 102,922	\$ 154,456	\$ 366	\$ 257,744
Accrued salaries and fringe benefits	30,245	3,486	3,730	37,461
Total liabilities	133,167	157,942	4,096	295,205
FUND BALANCES				
Restricted for:				
Highway and streets	10,534,567	428,601	-	10,963,168
Transportation	-	-	826,073	826,073
Total fund balances	10,534,567	428,601	826,073	11,789,241
Total liabilities and fund balances	\$ 10,667,734	\$ 586,543	\$ 830,169	\$ 12,084,446

See accompanying Notes to Financial Statements.

City of Berkeley
Alameda County Transportation Commission - Measure BB Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2023

	Special Revenue Funds			Total
	ACTC Streets and Roads	ACTC Bike and Pedestrian	ACTC Paratransit	
REVENUES:				
Measure BB sales taxes	\$ 7,489,858	\$ 858,766	\$ 798,857	\$ 9,147,481
Interest income	194,744	4,132	15,943	214,819
Total Revenues	7,684,602	862,898	814,800	9,362,300
EXPENDITURES:				
General government	60,514	45,484	-	105,998
Highway and streets	6,764,283	555,570	-	7,319,853
Transportation	-	-	858,536	858,536
Total Expenditures	6,824,797	601,054	858,536	8,284,387
REVENUES OVER (UNDER) EXPENDITURES	859,805	261,844	(43,736)	1,077,913
FUND BALANCES:				
Beginning of year, as restated	9,674,762	166,757	869,809	10,711,328
End of year	<u>\$ 10,534,567</u>	<u>\$ 428,601</u>	<u>\$ 826,073</u>	<u>\$ 11,789,241</u>

See accompanying Notes to Financial Statements.

City of Berkeley
Alameda County Transportation Commission – Measure BB Funds
Notes to Financial Statements
For the year ended June 30, 2023

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 Berkeley, California (City), are included as separate special revenue funds 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 and capital programs. The accompanying financial statements are for Measure BB Funds only and are not intended to fairly present the financial position of the City.

B. Basis of Accounting

Governmental fund 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current periods. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred.

C. Fund Accounting

The operations of the Measure BB Funds are accounted for in three separate special revenue funds, ACTC Streets and Roads, ACTC Bike and Pedestrian, and ACTC Paratransit. The funds are separate accounting entities with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenditures.

D. Fund Balance

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then use unrestricted resources as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

City of Berkeley
Alameda County Transportation Commission – Measure BB Funds
Notes to Financial Statements
For the year ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash and Investments

Cash and Investments of the Measure BB Special Revenue Funds are pooled with other funds of the City. The City pools cash resources from all funds in order to facilitate and maximize the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

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 accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, All investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of daily cash and investment balances.

F. Receivables

Receivables include amounts due from other governments. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred.

G. 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 Berkeley
Alameda County Transportation Commission – Measure BB Funds
Notes to the Financial Statements
For the year ended June 30, 2021

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.

3. CASH AND INVESTMENTS

Measure BB Funds’ cash and investments are part of the City’s pooled cash and investments. 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. The pool consists of U.S. Agency Securities, Medium Term Notes, Money Market Funds and Guaranteed Investment Contracts. The Measure BB Funds’ share of the pool is \$10,462,411.

A. Investments

The table below identifies the investment types that are authorized for the City of Berkeley’s pooled investment policies.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage/Dollar of Portfolio</u>	<u>Maximum Investment in one issuer</u>
Local Agency Bonds	5 years	100%	N/A
U.S. Treasury Securities	10 years	100%	N/A
U.S. Agency Securities	10 years	100%	N/A
Banker's Acceptances	7 days	40%	30%
Commercial Paper	180 days	25%	\$5M or 2%
Negotiable Certificates of Deposit	10 years	30%	N/A
Repurchase Agreements	1 year	10%	N/A
Medium-Term Notes	10 years	30%	N/A
Guaranteed Investment Contracts	5 years	25%	N/A
Money Market Funds	N/A	100%	N/A
Mortgage pass-Through Securities	5 years	20%	N/A
County Pooled Investment Funds	N/A	N/A	N/A
JPA Pools (other investment pools)	N/A	N/A	N/A

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 Berkeley
Alameda County Transportation Commission – Measure BB Funds
Notes to Financial Statements
For the year ended June 30, 2023

3. CASH AND INVESTMENTS, Continued

B. Risk Disclosure

Interest Risk – Interest rate risk is that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, there is the greater the sensitivity of its fair value to changes in market interest rates. One of the way that the City manages its exposures to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.⁰⁵ The City has the intention to hold all investments to maturity. The average maturity of the City’s pooled investments governed by the Investment Policies was approximately 1.51 years as of June 30, 2023.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City requires the issuer to have the highest rating from two nationally recognized rating agencies. Purchases of corporate notes shall be limited to securities rated “A” or higher by Moody’s and “A” or higher by Stand and Poor’s. The U.S. Agency Securities and Medium Term Notes in the pool are rated AAA and A/AA, respectively. The Money Market Funds and Guaranteed Investment Contracts are not rated.

Concentration of Credit Risk- The investment policies of the City contain no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

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. All of the City’s investments except money market mutual funds and guaranteed investment contracts are subject to custodial risk.

4. COMMITMENTS AND CONTINGENCIES

The Measure BB Special Revenue Funds have received grant funds for specific purposes that are subject to review by the grantor agencies. These programs are subject to further audit by the grantor agencies and upon further examination by the grantors, certain costs could be disallowed. The City expects that such amounts if any to be immaterial.

5. RESTATEMENT OF FUND BALANCE

The Measure BB ACTC Paratransit fund balance was restated from \$954,378 to \$869,809 to reclassify \$84,569 in expenditures incurred in fiscal year ended June 30, 2022 and recorded in the Measure B Paratransit fund to the Measure BB Paratransit fund The Measure B ACTC Paratransit fund previously reported a negative fund balance of \$84,569 due to expenditures exceeding tax revenues received during the year.

SUPPLEMENTARY INFORMATION

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City of Berkeley
Alameda County Transportation Commission - Measure BB Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	ACTC Streets and Roads		
	Final Budget Amount	Actual Amounts	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Measure BB sales taxes	\$ 7,627,974	\$ 8,103,095	\$ 475,121
Interest income	-	194,744	194,744
Total Revenues	7,627,974	8,297,839	669,865
EXPENDITURES:			
General government	252,442	188,646	63,796
Highway and streets	14,710,510	6,694,008	8,016,502
Total Expenditures	14,962,952	6,882,654	8,080,298
REVENUES OVER (UNDER) EXPENDITURES	\$ (7,334,978)	1,415,185	\$ 8,750,163
FUND BALANCES:			
Beginning of year		9,674,762	
End of year		\$ 11,089,947	

Explanation of differences between budgetary basis to modified accrual basis:

Net change in fund balances - budgetary basis to modified accrual basis:	\$ 1,415,185
Receivable accrual and prior year reversal	(613,237)
Accounts payable accrual and prior year reversal	57,857
Net change in fund balances - GAAP basis	\$ 859,805

City of Berkeley
Alameda County Transportation Commission - Measure BB Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	ACTC Bike and Pedestrian		
	Final Budget Amount	Actual Amount	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Measure BB sales taxes	\$ -	\$ 905,954	\$ 905,954
Interest income	-	4,132	4,132
Total Revenues	-	910,086	910,086
EXPENDITURES:			
General government	85,806	45,484	40,322
Highway and streets	1,692,630	444,849	1,247,781
Total Expenditures	1,778,436	490,333	1,288,103
REVENUES OVER (UNDER) EXPENDITURES	\$ (1,778,436)	419,753	\$ 2,198,189
FUND BALANCES:			
Beginning of year		166,757	
End of year		\$ 586,510	

Explanation of differences between budgetary basis to modified accrual basis:

Net change in fund balances - budgetary basis to modified accrual basis:	\$ 419,753
Receivable accrual and prior year reversal	(47,188)
Accounts payable accrual and prior year reversal	(110,721)
Net change in fund balances - GAAP basis	\$ 261,844

City of Berkeley
Alameda County Transportation Commission - Measure BB Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2023

	ACTC Paratransit		
	Final Budget Amount	Actual Amount Paratransit	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Measure BB sales taxes	\$ 319,014	\$ 852,575	\$ 533,561
Interest income	-	15,943	15,943
Total Revenues	319,014	868,518	549,504
EXPENDITURES:			
Transportation	1,000,927	858,536	142,391
Total Expenditures	1,000,927	858,536	142,391
REVENUES OVER (UNDER) EXPENDITURES	\$ (681,913)	9,982	\$ 691,895
FUND BALANCES:			
Beginning of year, as restated		869,809	
End of year		\$ 879,791	

Explanation of differences between budgetary basis to modified accrual basis:

Net change in fund balances - budgetary basis to modified accrual basis:	\$ 9,982
Receivable accrual	<u>(53,718)</u>
Net change in fund balances - GAAP basis	<u>\$ (43,736)</u>

City of Berkeley
Alameda County Transportation Commission – Measure BB Funds
Notes to Supplementary Information
For the year ended June 30, 2023

1. BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Control and Budgetary Accounting

Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the upcoming fiscal year. The proposed budget includes a summary of proposed expenditures and forecasted revenues of the City's special revenue funds.

The City Council adopts the budget prior to July 1 of each fiscal year. The annual budget indicates appropriations by fund. The Council may adopt supplemental appropriations during the year. Any unused funds are re-appropriated to the following fiscal year until the project is completed. The budget is adopted on a modified cash basis, which is not consistent with generally accepted accounting principles (GAAP).



**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**

Independent Auditor's Report

To the Honorable Mayor and Members
of City Council of the City of Berkeley
Berkeley, 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 BB Funds (Measure BB Funds) of the City of Berkeley, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2023.

Report on 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 in relation to Measure BB Funds (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.

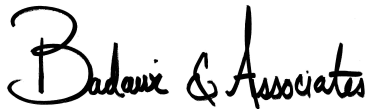
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Berkeley, California
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Report on Compliance and Other Matters

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*.

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.



Badawi and Associates
Berkeley, California
December 15, 2023



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR MEASURE BB

Independent Auditor's Report

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

Report on Compliance for Measure BB

Opinion on Compliance for Measure BB

We have audited City of Berkeley's (City) compliance with the types of compliance requirements described in the agreement between the City and Alameda County Transportation Commission that could have a direct and material effect on its Measure BB Funds (Measure BB Funds) for the year ended June 30, 2023.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Measure BB Funds for the year ended June 30, 2023.

Basis for Opinion on Measure BB

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 (*Government Auditing Standards*); and the agreement between the City and Alameda County Transportation Commission. Our responsibilities under those standards and 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 City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the City's Measure BB Funds. Our audit does not provide a legal determination of the Measure BB Funds 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 the City's Measure BB Funds.

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 occurred, whether due to fraud or error, and express an opinion on the Measure BB Fund'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, *Government Auditing Standards*, and the agreement between the City and Alameda County Transportation Commission will always detect material noncompliance when it exists. The risk of 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 of the agreement between the City and Alameda County Transportation Commission.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the agreement between the City and Alameda County Transportation Commission, 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 Measure BB Funds' 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 agreement between the City and Alameda County Transportation Commission, but not for the purpose of expressing an opinion on the effectiveness of 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.

Other Matters

Under Measure BB, approved by the voters of Alameda County in 2014, the City has received a total of 12 months of revenue from July 2022 through June 2023. The Local Street and Roads program has received \$7,489,858, the Bike and Pedestrian program has received \$858,766, and the Paratransit program has received \$798,857.

To the Honorable Mayor and Members
of the City Council of the City of Berkeley
Berkeley, California
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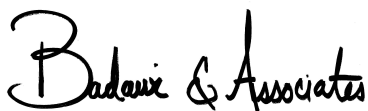
Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above 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 below. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 the agreement between the City and the Alameda County Transportation Commission 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 the agreement between the City and the Alameda County Transportation Commission 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 agreement between the City and the Alameda County Transportation Commission 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 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.

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 the Alameda County Transportation Commission. Accordingly, this report is not suitable for any other purpose.



Badawi and Associates
Berkeley, California
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