

**CITY OF EL CERRITO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT
ARTICLE III FUND**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**

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**CITY OF EL CERRITO
TRANSPORTATION DEVELOPMENT ACT ARTICLE III
BICYCLE PATHS AND PEDESTRIAN PROJECTS
Financial Statements
For the Years Ended June 30, 2015 and 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
of the City of El Cerrito
El Cerrito, California

Report on Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article III Projects (Projects) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Projects' 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 Projects' 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 Projects' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

As discussed in Note 1, the financial statements present only the Projects and are not intended to present fairly the financial position and results of operations of the City of El Cerrito in conformity with generally accepted accounting principles.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Projects as of June 30, 2015 and 2014, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, on our consideration of the Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 21, 2015

**CITY OF EL CERRITO
TRANSPORTATION DEVELOPMENT ACT ARTICLE III
BICYCLE AND PEDESTRIAN PROGRAM
BALANCE SHEET
JUNE 30, 2015 AND 2014**

| | 2015 | 2014 |
|--|-------------|--------------|
| ASSETS | | |
| Due from Metropolitan Transportation Commission (Note 2) | \$1,553 | \$58,447 |
| LIABILITIES | | |
| Due to City of El Cerrito | \$1,553 | \$58,447 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable revenue - receivable from MTC | | 58,447 |
| FUND BALANCE (DEFICIT) | | |
| Unassigned | 0 | (58,447) |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$1,553 | \$58,447 |

See accompanying notes to financial statements

**CITY OF EL CERRITO
TRANSPORTATION DEVELOPMENT ACT ARTICLE III
BICYCLE AND PEDESTRIAN PROGRAM
STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

| | 2015 | 2014 |
|--|----------|------------|
| REVENUES: | | |
| T.D.A. Article 3.0 (Note 2) | \$60,000 | \$0 |
| EXPENDITURES: | | |
| Circulation Plan for Bicyclists and Pedestrians (Note 2) | 1,553 | 58,447 |
| Total Expenditures | 1,553 | 58,447 |
| Net Change in Fund Balance | 58,447 | (58,447) |
| Beginning Fund Balance | (58,447) | 0 |
| Ending Fund Balance | \$0 | (\$58,447) |

See accompanying notes to financial statements

**CITY OF EL CERRITO
TRANSPORTATION DEVELOPMENT ACT
ARTICLE III PROJECTS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2015 and 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of El Cerrito has developed the Transportation Development Act Article III Projects (Projects) under the Transportation Development Act (TDA), Article 3.0 for the construction of pedestrian pathways, wheelchair ramps, bicycle trails, and bicycle master plan studies. The Projects are funded by TDA grants. The projects are distributed through the Metropolitan Transportation Commission (MTC), which is the agency responsible for the allocation of funds to eligible claimants within the greater San Francisco Bay Area.

The following is a summary of significant accounting policies of the Projects which conform to generally accepted accounting principles in the United States of America as applicable to governments.

A. Basis of Accounting

Basis of accounting refers to the period when revenues and expenses or expenditures are recognized.

The Projects are accounted for in these financial statements are included as part of a Federal, State, and Local Grants Special Revenue Fund in the basic financial statements of the City. They are accounted for using the modified accrual basis of accounting under which revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized when the related liability is incurred.

B. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Projects have only one item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF EL CERRITO
TRANSPORTATION DEVELOPMENT ACT
ARTICLE III PROJECTS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2015 and 2014**

NOTE 2 – TDA ARTICLE 3.0 RECEIVABLES

During the year ended June 30, 2015, the City recorded revenues in accordance with the allocation instructions from the Metropolitan Transportation Commission for the following project:

| Project Name | Allocation Instruction # | Grant | Fiscal Year 2014/15 Expenditures | Amount received in Fiscal Year 2014/15 | Due from MTC |
|---|-----------------------------|----------|--|--|--------------------|
| Circulation Plan for Bicyclists and Pedestrians | 13001035 | \$60,000 | \$1,553 | \$58,447 | \$1,553 |

NOTE 3 - COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still 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 to be immaterial.

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING,
ON COMPLIANCE WITH THE TRANSPORTATION
DEVELOPMENT ACT AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the City Council
of the City of El Cerrito
El Cerrito, 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 basic financial statements of the City of El Cerrito Transportation Development Act Article III Projects (Projects), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Projects' 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 Projects' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our procedures included the applicable audit procedures contained in §6666 of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission. 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*.

We have also issued a separate Memorandum on Internal Control which is an integral part of our audit and should be read in conjunction with this report.

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 Projects' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Projects' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Metropolitan Transportation Commission, management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Pleasant Hill, California
December 21, 2015