

CITY OF SOUTH SAN FRANCISCO
TRANSPORTATION DEVELOPMENT
ACT ARTICLE III FUND
BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

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CITY OF SOUTH SAN FRANCISCO
TRANSPORTATION DEVELOPMENT ACT ARTICLE III FUND
Basic Financial Statements
For the Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council of the
City of South San Francisco
South San Francisco, California

Report on Financial Statements

We have audited the accompanying financial statements of the City of South San Francisco Transportation Development Act Article III Fund (TDA Fund), which are included in the Capital Projects Fund of the City of South San Francisco (City), California, as of and for the years ended June 30, 2019 and 2018, and related notes to the 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 audits. We conducted our audits 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 audits 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 TDA Fund'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 TDA Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the TDA Fund as of June 30, 2019 and 2018, and the respective changes in financial positions for the years 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 TDA Fund and do not purport to, and do not present fairly the financial positions of the City as of June 30, 2019 and 2018 or the changes in its financial positions for the years 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 18, 2019 on our consideration of the TDA Fund'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 TDA Fund's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 18, 2019

CITY OF SOUTH SAN FRANCISCO
TRANSPORTATION DEVELOPMENT ACT ARTICLE III FUND
COMPARATIVE BALANCE SHEETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u> Allocation Instruction Number 18001094
ASSETS		
Due from Metropolitan Transportation Commission	<u>\$210,925</u>	<u>\$17,306</u>
Total Assets	<u><u>\$210,925</u></u>	<u><u>\$17,306</u></u>
LIABILITIES		
Due to the City	<u>210,925</u>	<u>17,306</u>
Total Liabilities	<u><u>210,925</u></u>	<u><u>17,306</u></u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	<u>210,925</u>	<u>17,306</u>
Total Deferred Inflows of Resources	<u><u>210,925</u></u>	<u><u>17,306</u></u>
FUND BALANCE	<u>(210,925)</u>	<u>(17,306)</u>
Total Fund Balance	<u><u>(210,925)</u></u>	<u><u>(17,306)</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$210,925</u></u>	<u><u>\$17,306</u></u>

See accompanying notes to financial statements

CITY OF SOUTH SAN FRANCISCO
TRANSPORTATION DEVELOPMENT ACT ARTICLE III FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018 Allocation Instruction Number 18001094
REVENUES		
TDA Article 3.0 (Note 2)	\$37,453	\$37,453
Total Revenues	37,453	37,453
EXPENDITURES		
Linden Ave. Complete Streets Safety Project	\$80,266	54,759
Regional Bike Network Connectivity Project: North	36,009	
SSF Pedestrian and Bicycle Master Planning Project	77,344	
Total Expenditures	193,619	54,759
Net change in fund balance	(193,619)	(17,306)
Fund balance at beginning of year	(17,306)	
Fund balance at end of year	(\$210,925)	(\$17,306)

See accompanying notes to financial statements

**CITY OF SOUTH SAN FRANCISCO
TRANSPORTATION DEVELOPMENT ACT ARTICLE III FUND
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of South San Francisco, California (City), Transportation Development Act Article III Fund (TDA Fund) includes the financial activities associated with the State of California Transportation Development Act. The State of California created a local transportation fund for each County funded by a portion of the State sales tax.

The TDA Fund is distributed through the Metropolitan Transportation Commission (MTC) which is the agency responsible for allocation of funds to eligible claimants within the greater San Francisco Bay Area.

The TDA Fund is included in a Capital Projects Fund of the Comprehensive Annual Financial Report of the City. The financial statements are intended to present the financial position and results of operation for the TDA Fund, and not those of the City as a whole.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized. The TDA Fund is accounted for in a governmental fund type and the modified accrual basis of accounting is used. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. TDA Article 3.0 revenues are recognized when qualifying project expenditures are incurred. Expenditures are generally recognized when they are incurred.

NOTE 2 – TDA ARTICLE 3.0 REVENUE

As of the years ended June 30, 2019 and 2018 the City received allocation instructions from the Metropolitan Transportation Commission for the following projects:

Instruction Number	Project Name	Grant Award	Expended in June 30, 2019	Revenue in June 30, 2019	Expended in June 30, 2018	Revenue in June 30, 2018
18001094	Linden Ave Complete Streets Safety Project	\$363,300	\$80,266		\$54,759	\$37,453
18001084	Regional Bike Network Connectivity Project: North	350,000	36,009			
18001085	SSF Pedestrian and Bicycle Master Planning Project	100,000	77,344			
		\$813,300	\$193,619	\$0	\$54,759	\$37,453

CITY OF SOUTH SAN FRANCISCO
TRANSPORTATION DEVELOPMENT ACT ARTICLE III FUND
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

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***

Honorable Members of the City Council of
City of South San Francisco
South San Francisco, 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 Transportation Development Act Article III Fund (the TDA Fund) of the City of South San Francisco (City), California, 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 18, 2019. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the TDA Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TDA Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the TDA Fund'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 TDA Fund'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 financial statements are free of material misstatement, we performed tests of its compliance with certain TDA Fund's 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 auditing procedures 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 dated December 18, 2019 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 TDA Fund'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 TDA Fund's 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; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze & Associates

Pleasant Hill, California
December 18, 2019