

CITY OF MILPITAS
BICYCLE/PEDESTRIAN PROJECTS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

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**CITY OF MILPITAS
Bicycle/Pedestrian Projects
Financial Statement
For the Year Ended June 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council
City of Milpitas, California

Report on Financial Statements

We have audited the financial statements of the City of Milpitas Bicycle/Pedestrian Projects (Projects) of the City of Milpitas, California, as of and for the year ended June 30, 2019, and the 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 an opinion 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 opinion.

Opinion

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, 2019, and the change in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Projects and do not purport to, and do not present fairly the financial position of the City as of June 30, 2019, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019, on our consideration of the Projects' 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 Projects' internal control over financial reporting and compliance.



Pleasant Hill, California
November 18, 2019

CITY OF MILPITAS
BICYCLE/PEDESTRIAN PROJECTS
BALANCE SHEET
JUNE 30, 2019

	<u>2019</u>
ASSETS	
Receivable from MTC	<u>\$0</u>
Total Assets	<u><u>\$0</u></u>
LIABILITIES	
Due to the City	<u>\$0</u>
FUND BALANCE	
Unassigned	<u>0</u>
Total Liabilities and Fund Balance	<u><u>\$0</u></u>

See accompanying notes to financial statements

CITY OF MILPITAS
 BICYCLE/PEDESTRIAN PROJECTS
 STATEMENT OF REVENUES AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2019

	2019
REVENUES	
TDA Article 3.0 (Note 2)	\$108,083
Total Revenues	108,083
EXPENDITURES	
Construction of ADA Curb Ramps (17001022)	108,083
Total Expenditures	108,083
Net change in fund balance	0
Fund balance at beginning of year	0
Fund balance at end of year	\$0

See accompanying notes to financial statements

**CITY OF MILPITAS
BICYCLE/PEDESTRIAN PROJECTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Milpitas has developed the Bicycle/Pedestrian Projects (Projects) under the Transportation Development Act (TDA), Article 3.0 for the construction of pedestrian pathways and wheelchair ramps and bicycle master plan studies. The Projects are funded by TDA grants.

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

A. *Fund Accounting*

The Projects are accounted for as part of the General Government Capital Projects Fund of the City of Milpitas. This fund is a set of self-balancing accounts which comprise its assets, deferred inflows/outflows of resources, liabilities, fund balance, revenues and expenditures.

B. *Basis of Accounting*

Basis of accounting refers to when revenues and expenditures are recognized. The Projects are 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. The Projects considers all revenues reported in the governmental funds to be available if the revenues are collected within forty-five days after year-end. Expenditures are recognized when they are incurred.

C. *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.

**CITY OF MILPITAS
BICYCLE/PEDESTRIAN PROJECTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 2 - TDA ARTICLE 3.0 REVENUE

For the year ended June 30, 2019 the City had allocation instructions from the Metropolitan Transportation Commission for the following projects:

Instruction Number	Project Name	Grant Award	Expended in June 30, 2019	Revenue in Fiscal Year 2019
17001022	Construction of ADA Curb Ramps	\$108,083	\$108,083	\$108,083
19001050	ADA Curb Ramp Transition Program 2019	127,587		
		<u>\$235,670</u>	<u>\$108,083</u>	<u>\$108,083</u>

**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
City of Milpitas, 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 City of Milpitas Bicycle/Pedestrian Projects (Projects) 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 November 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Projects' 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 Projects' internal control. Accordingly, we do not express an opinion on the effectiveness of Projects' 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 dated November 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 result 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 Project'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.



Pleasant Hill, California
November 18, 2019