

CITY OF MOUNTAIN VIEW

Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III

Independent Auditor's Reports
and Financial Statements

For the Fiscal Year Ended June 30, 2016



Certified
Public
Accountants

CITY OF MOUNTAIN VIEW
Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III
For the Fiscal Year Ended June 30, 2016

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mountain View, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Pedestrian/Bicycle Facilities Grant (Grant) made to the City of Mountain View, California (City), by the Metropolitan Transportation Commission, Transportation Development Act Funds, Article III, as of and for the fiscal year ended June 30, 2016, 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 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 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. 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grant made to the City by the Metropolitan Transportation Commission, Transportation Development Act Funds, Article III, as of June 30, 2016, and the changes in its financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the financial statements present only the Grant and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2016, and the changes in its financial position for the fiscal 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* and the Transportation Development Act

In accordance with *Government Auditing Standards* and the Transportation Development Act, we have also issued our report dated November 21, 2016 on our consideration of the City's internal control over the Grant's 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Transportation Development Act in considering City's internal control over the Grant's financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 21, 2016

CITY OF MOUNTAIN VIEW
 Pedestrian/Bicycle Facilities Grant
 Metropolitan Transportation Commission
 Transportation Development Act Funds, Article III
 Balance Sheet
 June 30, 2016

Assets	
Due from the Metropolitan Transportation Commission	<u><u>\$ 92,190</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Deficit	
Liabilities:	
Accounts payable	\$ 4,610
Due to the City of Mountain View	<u>87,580</u>
Total liabilities	<u>92,190</u>
Deferred inflows of resources:	
Unavailable governmental revenues	92,190
Fund deficit:	
Unassigned	<u>(92,190)</u>
Total liabilities, deferred inflows of resources, and fund deficit	<u><u>\$ 92,190</u></u>

See accompanying notes to the financial statements.

CITY OF MOUNTAIN VIEW
 Pedestrian/Bicycle Facilities Grant
 Metropolitan Transportation Commission
 Transportation Development Act Funds, Article III
 Statement of Revenues, Expenditures, and Changes in Fund Deficit
 For the Fiscal Year Ended June 30, 2016

Expenditures	
Capital outlay	\$ 82,704
Net change in fund balance (deficit)	(82,704)
Fund balances - beginning of year, as previously reported	-
Prior period adjustment	(9,486)
Fund deficit - beginning of year, as restated	(9,486)
Fund deficit - end of year	\$ (92,190)

See accompanying notes to the financial statements.

CITY OF MOUNTAIN VIEW
Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

The accompanying financial statements are prepared from the accounts and financial transactions of the City of Mountain View (City) for Pedestrian/Bicycle Facilities Grant projects funded under the Transportation Development Act of 1971, Article III (TDA Article III), of the State of California, for the purpose of constructing pedestrian and bicycle paths. Pedestrian/Bicycle Facilities Grant are distributed through the Metropolitan Transportation Commission, which is the agency responsible for allocation of TDA Article III funds to eligible claimants within the greater San Francisco Bay Area.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Presentation*

The Pedestrian/Bicycle Facilities Grant projects have been accounted for as part of the General Capital Projects Fund, a major governmental fund in the City's basic financial statements.

The financial statements of the Pedestrian/Bicycle Facilities Grant do not purport to, and do not, present the financial position or changes in financial position of the City. The TDA Article III projects represent a portion of the activities of the City and, as such, are included in the City's basic financial statements.

(b) *Basis of Accounting*

The accompanying financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when the related governmental fund liabilities are incurred. Grant revenues, which are received as reimbursement for specific purposes or projects, are recognized when they become measurable and available (collected within sixty days after fiscal year-end).

(c) *Due to the City of Mountain View*

Cash has been advanced to the Pedestrian/Bicycle Facilities Grant projects for expenditures paid by the City for the benefit of the TDA Article III projects. The projects are obligated to immediately repay these advances upon receipt of reimbursement from the Metropolitan Transportation Commission.

CITY OF MOUNTAIN VIEW
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 Notes to Financial Statements
 For the Fiscal Year Ended June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Fund Balance

The City established a policy on Governmental Fund Balance Financial Reporting to provide necessary clarification on the terminology used in the fund balance classifications and assist with adhering to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 outlines the requirement to report fund balance for governmental funds in specific classifications (nonspendable, restricted, committed, assigned, and unassigned), which create a hierarchy primarily based on the extent to which the City is bound to the constraints on the specific purposes for which funds can be spent. The TDA Fund only receives restricted revenues and has an unassigned fund balance at June 30, 2016. Effective July 1, 2015, a prior period adjustment of \$9,496 was recorded to correct the understatement of deferred inflows of resources for unavailable grant revenues as of June 30, 2015.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

For the fiscal year ended June 30, 2016, the Pedestrian/Bicycle Facilities Grant had a fund deficit in the amount of \$92,190 resulting from the grant revenues not received within the availability period. This deficit will be eliminated with subsequent reimbursements receipts from the Metropolitan Transportation Commission during future years.

NOTE 4 – INTEREST EARNED ON ALLOCATED FUNDS

The City incurred and paid expenditures prior to the receipt of grant revenue (i.e., the reimbursement basis); as a result, no interest was earned on grant funds.

NOTE 5 – PROJECTS

The projects funded in part by TDA Article III funds during the fiscal year ended June 30, 2016 were as follows:

Project Title	Allocation Instruction Number	Allocation Amount	Amount Expended
W. Middlefield/Independence/Thaddeus Pedestrian Safety Improvements	15001027	\$ 184,290	82,704



**Independent Auditor’s 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 and the Transportation Development Act**

Honorable Mayor and Members
of the City Council
City of Mountain View, California

We have audited, 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, the financial statements of the Pedestrian/Bicycle Facilities Grant (Grant) made to the City of Mountain View, California (City), by the Metropolitan Transportation Commission, Transportation Development Act Funds, Article III, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Grant’s financial statements, and have issued our report thereon dated November 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over the Grant’s financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 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 Grant’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable statutes, rules, and regulations of the Transportation Development Act, including Section 6666 of Title 21, of the California Code of Regulations,

and the allocation instructions and resolutions of the Metropolitan Transportation Commission, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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* or the Transportation Development Act.

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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, slightly slanted style.

Walnut Creek, California
November 21, 2016