

**CITY OF MONTE SERENO**

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**BICYCLE/PEDESTRIAN PROJECTS**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS**

**JUNE 30, 2014**

**CITY OF MONTE SERENO**

**BICYCLE/PEDESTRIAN PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council  
of the City of Monte Sereno  
Monte Sereno, California

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Bicycle/Pedestrian Projects (Projects) of the City of Monte Sereno (City), California, as of and for the year ended June 30, 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.

### ***Auditors' 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, 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.

## ***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, 2014, 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.

## ***Other Matters***

### *Required Supplementary Information*

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2015, on our consideration of the City's internal control over financial reporting of the Projects 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 nor 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.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California  
May 26, 20145

**CITY OF MONTE SERENO  
BICYCLE/PEDESTRIAN PROJECTS**

**BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2014**

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**ASSETS**

Due from Other Governments	\$ 13,172
	<u>13,172</u>
Total assets	<u><u>\$ 13,172</u></u>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Due to the City's Other Funds	\$ 13,172
	<u>13,172</u>
Total liabilities	<u>13,172</u>

**Fund Balance**

Total fund balance	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 13,172</u></u>

See accompanying notes to financial statements.

**CITY OF MONTE SERENO  
BICYCLE/PEDESTRIAN PROJECTS**

**STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN  
FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2014**

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**REVENUES**

TDA Article III Allocation	\$ 13,172
Total revenues	<u>13,172</u>

**EXPENDITURES**

TDA Expenditures	<u>13,172</u>
Total Expenditures	<u>13,172</u>

**Excess (deficiency) of revenues over (under) expenditures** -

**FUND BALANCE**

Beginning of year	-
End of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**CITY OF MONTE SERENO  
BICYCLE/PEDESTRIAN PROJECTS  
FOR THE YEARS ENDED JUNE 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 – GENERAL INFORMATION SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Monte Sereno has developed the Bicycle/Pedestrian Projects (Projects) under the Transportation Development Act (TDA), Article III for the construction of pedestrian pathways. The Projects are funded by TDA grants. The State of California created a local transportation fund for each County funded by a portion of the State sales tax.

The TDA Funds are 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.

These financial statements are intended to present the financial position and results of operation for the Projects, and not those of the City as a whole.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related benefits, and equity, segregated for the purpose of carrying out specific activities. The Projects are accounted for as part of the City Capital Projects Fund of the City of Monte Sereno. This fund includes accounts which comprise its assets, liabilities, fund equity, revenues and expenditures.

***B. Measurement Focus 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 as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the fiscal period. Expenditures are recognized when a liability is incurred.

***C. Cash and investments***

Cash and investments are pooled to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, Deposits and Investment Risk Disclosures, applicable to the Projects, are those of the City and are disclosed in the City's financial statements. The City's financial statements can be obtained at City Hall.

**CITY OF MONTE SERENO  
 BICYCLE/PEDESTRIAN PROJECTS  
 FOR THE YEARS ENDED JUNE 30, 2014**

**NOTES TO THE FINANCIAL STATEMENTS**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***D. Estimates***

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***E. Deferred Inflows of Resources***

The City and the Projects adopted Governmental Accounting Standards Board (GASB) Statement No. 65 effective July 1, 2013. In March 2012, GASB issued Statement No. 65 — *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. As a result, the balance sheet will report a separate section for deferred inflows of resources where applicable. This separate financial statement element, unavailable revenues, represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

**NOTE 3 – TDA ARTICLE III REVENUE**

During the year ended June 30, 2014, the City received allocation instruction from the Metropolitan Transportation Commission for the following projects:

Allocation Instruction #	Project Name	Grant Award	Revenue 2014
12001040	Highway 9 Pedestrian Safety Improvements	\$ 6,670	\$ 6,670
14001037	Highway 9 Pedestrian Safety Improvements	6,502	6,502
			<u>\$ 13,172</u>

**NOTE 4 – INTERFUND TRANSACTIONS**

Interfund transactions are loans between the TDA funded projects and the General Fund to provide short-term cash flow for TDA project expenditures until the reimbursement is received.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND 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 Mayor and Members of City Council  
of the City of Monte Sereno  
Monte Sereno, 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 Bicycle/Pedestrian Projects (Projects) of the City of Monte Sereno, California (City), as of and for the year ended June 30, 2014 and the related notes to the financial statements, and have issued our report thereon dated May 26, 2015.

**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 (internal control) of the Projects 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 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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project'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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions 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 required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the Metropolitan Transportation Commission.

## 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 Project'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 Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California

May 26, 2015