

City of San Bruno

Transportation Development Act Program

San Bruno, California

*Financial Statements and
Independent Auditors' Reports*

For the years ended June 30, 2023 and 2022

City of San Bruno
Transportation Development Act Program
Financial Statements
For the years ended June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of San Bruno
San Bruno, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act Program (TDA Program) of the City of San Bruno, California, (City) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the TDA Program, as of June 30, 2023 and 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Program and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023 and 2022, and the changes in its financial position or where applicable, its cash flows for the years 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 January 30, 2024 on our consideration of the TDA Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and

To the Honorable Mayor and Members of the City Council
of the City of San Bruno
San Bruno, California
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other matters. The purpose of that report is solely 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 effectiveness of 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 Program's internal control over financial reporting and compliance.

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Badawi & Associates, CPAs
Berkeley, California
January 30, 2024

City of San Bruno
Transportation Development Act Program
Balance Sheet
June 30, 2023 and 2022

	2023	2022
ASSETS		
Intergovernmental receivables	\$ -	\$ 385,200
Total assets	\$ -	\$ 385,200
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 385,200
Total liabilities	-	385,200
Deferred inflows of resources:		
Unavailable revenues	-	385,200
Fund Balances:		
Unassigned	-	(385,200)
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 385,200

City of San Bruno

Transportation Development Act Program

Statement of Revenues, Expenditures and Changes in Fund Balances

For the years ended June 30, 2023 and 2022

	2023	2022
Revenues:		
TDA Revenues	\$ 385,200	\$ -
Total Revenues	<u>385,200</u>	<u>-</u>
Expenditures:		
Huntington/San Antonio Bicycle Corridor	-	385,200
Total Expenditures	<u>-</u>	<u>385,200</u>
Net change in fund balances	385,200	(385,200)
Fund Balances:		
Beginning of year	(385,200)	-
End of year	<u>\$ -</u>	<u>\$ (385,200)</u>

City of San Bruno Transportation Development Act Program
Notes to Financial Statements
For the years ended June 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of San Bruno (City) received funds under the Transportation Development Act (TDA), Article 3.0 which provides funding for the Huntington/San Antonio Bicycle Corridor and the Lomita Park Elementary Safe Routes to Schools project. The project was funded by the Metropolitan Transportation Commission (MTC). The financial statements are intended to present the TDA Program, and not the financial position and the changes in fund balances of the City as a whole.

B. Basis of Accounting and Measurement Focus

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available, and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, wherein only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

C. Fund Accounting

The operations of the TDA Program are accounted for within a capital project fund by using separate project codes.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

E. Receivables

During the course of normal operations, the fund carries various receivable balances for unreimbursed eligible TDA expenditures.

F. Program balance

The TDA fund balance is restricted by third parties to be used in accordance with the Transportation Development Act (TDA). The program had a fund balance of \$0 and \$(385,200) as of June 30, 2023 and 2022, respectively.

City of San Bruno Transportation Development Act Program
Notes to Financial Statements
For the years ended June 30, 2023 and 2022

2. TDA ARTICLE 3.0 REVENUES

During the fiscal years ended June 30, 2023 and 2022, the City expended amounts against authorized TDA allocation instructions from the Metropolitan Transportation Commission for the following projects:

<u>Project Name</u>	<u>Allocation Instruction #</u>	<u>Grant</u>	<u>Expenditures</u>
Huntington/San Antonio Bicycle Corridor	20001116	\$ 385,200	\$ 385,200



**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**

To the Honorable Mayor and Members of the City Council
of the City of San Bruno
San Bruno, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Transportation Development Act Program (TDA Program) of the City of San Bruno, California (City), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the TDA Program's basic financial statements, and have issued our report thereon dated January 30, 2024.

Report on 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) as a basis for designing 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 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. We identified a certain deficiency in internal control over the TDA Program, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.

To the Honorable Mayor and Members of the City Council
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Report on Compliance and Other Matters

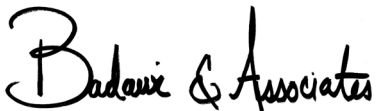
As part of obtaining reasonable assurance about whether the TDA Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

City's Response to Findings

Government Auditing Standards requests the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Badawi & Associates, CPAs
Berkeley, California
January 30, 2024

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER COMPLIANCE FOR TRANSPORTATION DEVELOPMENT ACT FUNDS**

Independent Auditor's Report

To the Honorable Mayor and Members of City Council
of the City of San Bruno
San Bruno, California

Report on Compliance

Opinion

We have audited the City of San Bruno's (City) compliance with the types of compliance requirements described in Section 6666 of the *Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code* (the Act) and the allocation instructions and resolutions of the Metropolitan Transportation Commission applicable to the City's Transportation Development Act Article 3 (TDA Program) for the years ended June 30, 2023 and 2022.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its TDA Program for the years ended June 30, 2023 and 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Section 6666 of the Act; and the allocation instructions and resolutions of the Metropolitan Transportation Commission. Our responsibilities under those standards and the Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the City's TDA Program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's TDA Program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Section 6666 of the Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the TDA Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Section 6666 of the Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Section 6666 of the Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Section 6666 of the Act and which is described in the accompanying schedule of findings and responses as item 2023-001. Our opinion on the TDA Program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of Section 6666 of the Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of Section 6666 of the Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of Section 6666 of the Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

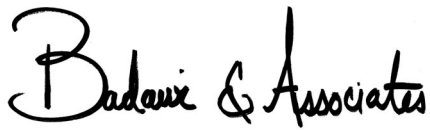
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. We identified a certain deficiency in internal control over compliance in the TDA Program, described in the accompanying schedule of findings and responses as item 2023-001.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Honorable Mayor and Members of City Council
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San Bruno, California
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Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 6666 of the Act, and the allocation instructions and resolutions of the Metropolitan Transportation Commission. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates, CPAs
Berkeley, California
January 30, 2024

City of San Bruno Transportation Development Act Program
Schedule of Findings and Responses
For the years ended June 30, 2023 and 2022

2023-001: Timely Submission of Fiscal Audit to Metropolitan Transportation Commission

Criteria: Per the allocation instructions to the City of San Bruno from the Metropolitan Transportation Commission, the City is required to submit a fiscal audit in accordance with Section 99245 of the Public Utilities Code (PUC) for each year expenses are encumbered against the TDA Program. PUC Section 99245 states that audits should be submitted within 180 days of the end of the fiscal year.

Condition: For the fiscal year ended June 30, 2022, the City engaged a contractor to work on the TDA project and incurred related expenditures. However, the public works department repeatedly told the finance department that no TDA expenditures occurred for fiscal year 2021-22.

Cause: The City did not timely identify that expenditures for the TDA Program incurred during the fiscal year ended June 30, 2022 were to be audited for that fiscal year.

Effect: The finance department incorrectly determined that a TDA audit for the fiscal year ended June 30, 2022 was not required.

Recommendation: We recommend that the City update its policies and procedures over TDA Program expenditures to ensure that all departments involved are aware of the actions and transactions that trigger a TDA audit.

Management's Response: Management acknowledges the need for corrective actions to address the failure to identify TDA expenditures in the year-end close procedures. Staff turnover is at the core of this issue, resulting in the loss of institutional knowledge and a breakdown in interdepartmental communication. We are developing a structured and robust grants management procedure in response to this recommendation. This procedure will specifically focus on proper revenue and expenditure tracking, emphasizing timely and comprehensive year-end processes.