

City of Santa Cruz

State of California

Measure D Fund Financial Statements

For the Fiscal Year Ended June 30, 2019

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City of Santa Cruz
Measure D Fund
Report For the year ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, Members of the City Council and Citizens of the City of Santa Cruz, California

Report on the Financial Statements

We have audited the accompanying financial statements of the 2016 Measure D Fund (Measure D Fund), a nonmajor special revenue fund of City of Santa Cruz, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements.

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 opinions 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure D Fund of the City, as of June 30, 2019, and the change in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Measure D Fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2019, and 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 Matters

Required Supplementary Information

Management has omitted management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic 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 January 24, 2020, on our consideration of the City'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 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 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* in considering the City's internal control over financial reporting and compliance.



Palo Alto, California
February 19, 2020

City of Santa Cruz

Balance Sheet

Measure D Fund

(A nonmajor special revenue fund of the City of Santa Cruz, California)

June 30, 2019

	Measure D Fund
Assets:	
Cash and investments	\$ 689,703
Interest receivable	6,387
Taxes receivable	112,232
Total assets	<u>\$ 808,322</u>
Fund Balance:	
Restricted:	
Streets and roads	808,322
Total fund balance	<u>\$ 808,322</u>

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz

Statement of Revenues, Expenditures, and Changes in Fund Balance

Measure D Fund

(A nonmajor special revenue fund of the City of Santa Cruz, California)

For the year ended June 30, 2019

	Measure D Fund
Revenues:	
Intergovernmental	\$ 1,335,520
Use of money and property	29,507
Total revenues	<u>1,365,027</u>
Expenditures:	
Current:	
Transit	<u>1,175,175</u>
Total expenditures	<u>1,175,175</u>
Net change in fund balances	189,852
Fund balance, beginning of year	618,470
Fund balance, end of year	<u><u>\$ 808,322</u></u>

The accompanying notes are an integral part of these financial statements.

City of Santa Cruz

Notes to the Financial Statements

Measure D Fund

(A nonmajor special revenue fund of the City of Santa Cruz, California)

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Santa Cruz County Regional Transportation Commission - Measure D Fund (Measure D Fund) of the City of Santa Cruz (the City) are included as a separate special revenue fund in the basic financial statements of the City. The accompanying financial statements are for Measure D Fund only and are not intended to fairly present the financial position or results of operations of the City.

B. Basis of Presentation

Fund Accounting

The operations of the Measure D Fund are accounted in a nonmajor special revenue fund, in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

C. Basis of Accounting

The Measure D funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current resources. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Generally, revenues are considered available if they are collected within 60 days after fiscal year end. If revenues are not subject to accrual, they are recorded when received in cash. The primary revenue sources, which have been treated as susceptible to accrual by the City, are sales tax, intergovernmental revenues, and other taxes. Expenditures are generally recorded in the accounting period in which the related fund liability is incurred.

D. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include currency on hand and deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds including the Measure D fund may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty.

City of Santa Cruz

Notes to the Financial Statements

Measure D Fund

(A nonmajor special revenue fund of the City of Santa Cruz, California)

June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

E. Fund Balance

As of June 30, 2019, fund balance of the Measure D Fund was classified as restricted which is defined as amounts that can be spent only for specific purposes because of constraints that are externally imposed by grantors, contributors, or the laws or regulations.

F. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the amounts reported and the disclosures in the financial statements. Actual results could differ from these estimates and assumptions.

2. MEASURE D FUNDS

Under Measure D, approved by the voters of Santa Cruz County in 2016, the City receives a portion of the proceeds of an additional one-half cent sales tax to be used to improve children's safety around schools; repair potholes; repave streets; improve traffic flow on Highway 1; maintain senior/disabled transit; reduce global warming pollution by providing transportation options like sidewalks, buses, bike lanes, trails; and preserve rail options.

3. CASH DEPOSITS AND INVESTMENTS

Cash and investments held by the Measure D Fund at June 30, 2019, consisted of \$689,703 in cash pooled with the City's Cash and Investments.

Investments authorized by the California Government Code and the City of Santa Cruz's investment policy:

Allowable investment instruments are defined in the California Government Code Section 53600, et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where the Government Code specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase. The City's pool is not rated and is not registered with the SEC. The City's average maturity of its investments is less than one year.

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**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**

The Honorable City Council
City of Santa Cruz, 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 Measure D Fund (Measure D Fund) of the City of Santa Cruz, California (City), as of and for the year ended June 30, 2019, and have issued our report thereon dated February 19, 2020. Our opinion included an emphasis of matter as discussed that the financial statements present only the Fund specific to Measure D Fund, and are not intended to present fairly the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. 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 over financial reporting 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 Measure D Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements including the applicable compliance requirements specified in the Measure D agreement between the City and Santa Cruz Regional 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 Measure D agreement.

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



Palo Alto, California
February 19, 2020