

CITY OF CUPERTINO
TRANSPORTATION DEVELOPMENT ACT PROGRAM
SPECIAL-PURPOSE FINANCIAL STATEMENTS
June 30, 2020

CITY OF CUPERTINO
TRANSPORTATION DEVELOPMENT ACT PROGRAM
(A Program of the City of Cupertino, California)

SPECIAL-PURPOSE FINANCIAL STATEMENTS
June 30, 2020

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
SPECIAL-PURPOSE FINANCIAL STATEMENTS	
SPECIAL-PURPOSE BALANCE SHEET	3
SPECIAL-PURPOSE STATEMENT OF REVENUES AND EXPENDITURES	4
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS	5
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT AND OTHER MATTERS BASED ON AN AUDIT OF SPECIAL-PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	6

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council
City of Cupertino, California

Report on the Special-Purpose Financial Statements

We have audited the accompanying special-purpose financial statements of the City of Cupertino (City) Transportation Development Act Program, as of and for the year ended June 30, 2020, and the related notes to the special-purpose financial statements, as listed in the table of contents.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose 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 special-purpose 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 special-purpose 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 special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose 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 special-purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Cupertino Transportation Development Act Program, as of June 30, 2020, and the changes 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 special-purpose financial statements were prepared for the purpose of complying with the financial reporting provisions of Section 6666 of Title 21 of California Code of Regulations and the provisions of the Transportation Development Act as enacted in the California State Statutes. The special-purpose financial statements do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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.

Restriction on Use

Our report is intended solely for the information and use of the City and the State of California and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated [REDACTED] 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 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 City's 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.

[REDACTED]

Costa Mesa, California

[REDACTED]

CITY OF CUPERTINO
TRANSPORTATION DEVELOPMENT ACT PROGRAM
(A Program of the City of Cupertino, California)
SPECIAL-PURPOSE BALANCE SHEET
June 30, 2020

ASSETS	\$ <u> -</u>
Total assets	\$ <u> -</u>
LIABILITIES	\$ <u> -</u>
DEFERRED INFLOWS OF RESOURCES	\$ <u> -</u>
FUND BALANCE	\$ <u> -</u>
Total liabilities, deferred inflows of resources and fund balance	\$ <u> -</u>

See accompanying notes to special-purpose financial statements.

CITY OF CUPERTINO
TRANSPORTATION DEVELOPMENT ACT PROGRAM
(A Program of the City of Cupertino, California)
SPECIAL-PURPOSE STATEMENT OF REVENUES AND EXPENDITURES
For the year ended June 30, 2020

Revenues

TDA Article 3.0 (Note 3)	\$ 156,926
Total revenues	<u>156,926</u>

Expenditures

-

Net change in fund balances

156,926

Fund balance at beginning of year

(156,926)

Fund balance at end of year

\$ -

See accompanying notes to special-purpose financial statements.

CITY OF CUPERTINO
TRANSPORTATION DEVELOPMENT ACT PROGRAM
(A Program of the City of Cupertino, California)
NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - DESCRIPTION OF REPORTING ENTITY

The City of Cupertino, California (the City), Transportation Development Act Program (Program) includes the financial activities associated with the projects funded by the State of California Transportation Development Act (TDA). The State of California created a local transportation fund for each County funded by one-quarter of a cent of the State sales tax. Article 3 of the TDA permits local agencies to spend a portion of that money (not to exceed 2%) on facilities provided for the exclusive use of pedestrians and bicycles.

Section 6666 of Title 21 of California Code of Regulations and the provisions of the Transportation Development Act as enacted in the California State Statutes, requires the City to present only program-level financial statements. Accordingly, due to the omission of government-wide financial statements and related disclosures, including a management's discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the City as of June 30, 2020, and the changes in its financial position and where applicable, cash flows thereof, for the year then ended, in conformity with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with U.S. generally accepted accounting principles.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting: The Program activities are accounted for in the Transportation Special Revenue Fund. A fund is a set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenue and expenditures.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures are recognized. The projects are accounted for in a governmental type fund 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. TDA Article 3.0 revenues are recognized when qualifying project expenditures are incurred. Expenditures are generally recognized when they are incurred.

NOTE 3 - TDA ARTICLE 3.0 REVENUE

During the year ended June 30, 2020 and, the City received allocation instructions from the Metropolitan Transportation Commission for the following project:

Project Name	Grant Award	Revenue
Bike Boulevard Improvement Phase II Project	\$ 166,259	\$ -

In the prior year, the following allocations were received and the revenue was recognized in the current fiscal year:

Allocation Instruction #	Project Name	Grant Award	Revenue
17001018	McClellan Road Sidewalk Construction	\$106,926	\$106,926
17001019	Pedestrian Master Plan	\$ 50,000	\$ 50,000

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT AND OTHER
MATTERS BASED ON AN AUDIT OF SPECIAL-PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
City of Cupertino, 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 Cupertino (City) Transportation Development Act Program as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated [REDACTED]. As discussed in Note 1, the special-purpose financial statements were prepared for the purpose of complying with the financial reporting provisions of Section 6666 of Title 21 of California Code of Regulations and the provisions of the Transportation Development Act as enacted in the California State Statutes.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose 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 opinion on the special-purpose 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 City of Cupertino Transportation Development Act Program's special-purpose financial statements are free of 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. 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*.

Purpose of this Report

The purpose of this 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 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.

[REDACTED]

Costa Mesa, California

[REDACTED]