

CITY OF PALO ALTO, CALIFORNIA

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

Independent Auditor's Reports,
Financial Statements and
Supplementary Information

For the Year Ended June 30, 2024

CITY OF PALO ALTO, CALIFORNIA
Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III
For the Year Ended June 30, 2024

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Palo Alto, California

Report on the Financial Statements

Opinion

We have audited the financial statements of the Pedestrian/Bicycle Facilities Grant (Grant) made to the City of Palo Alto, California (City), by the Metropolitan Transportation Commission, under the Transportation Development Act Funds, Article III, as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Grant as of June 30, 2024, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 (*Government Auditing Standards*). 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 opinion.

Emphasis of Matter

As discussed in Note 2(a) 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, 2024, 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.

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 opinion. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 City'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.

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 8, 2024, 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 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 City's internal control over the Grant's 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 the City's internal control over the Grant's financial reporting and compliance.



Walnut Creek, California
November 8, 2024

CITY OF PALO ALTO, CALIFORNIA
Pedestrian/Bicycle Facilities Grants
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III
Balance Sheet
June 30, 2024

Assets

Due from the Metropolitan Transportation Commission	\$ 92,583
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Liabilities and Fund Balance

Liabilities

Due to the City of Palo Alto	\$ 92,583
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Fund balance

Restricted	-
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Total liabilities and fund balance	\$ 92,583
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See accompanying notes to the financial statements.

CITY OF PALO ALTO, CALIFORNIA
 Pedestrian/Bicycle Facilities Grants
 Metropolitan Transportation Commission
 Transportation Development Act Funds, Article III
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended June 30, 2024

Revenues

TDA Article III Grant	\$	176,715
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Expenditures

Capital outlay		176,715

Change in fund balance		-
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Fund balance - beginning of year		-

Fund balance - end of year	\$	-

See accompanying notes to the financial statements.

CITY OF PALO ALTO, CALIFORNIA
Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

The accompanying financial statements are prepared from the accounts and financial transactions of the City of Palo Alto, California (City) for Pedestrian/Bicycle Facilities Grant (Grant) projects funded under the Transportation Development Act of 1971 (TDA) Article III of the State of California, which include the construction of pedestrian and bicycle paths.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Presentation*

The Grant has been accounted for in the Capital Project Fund, which is a major governmental fund type and is included in the City's basic financial statements. The Capital Project Fund accounts for resources used for acquisition and construction of capital facilities by the City, with the exception of those assets financed by proprietary funds.

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, 2024, 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.

(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. The City considers revenues susceptible to accrual to be available if the revenues are collected within ninety days after year-end, except for property taxes, which are available if collected within sixty days after year-end.

(c) *Fund Balance*

The City reports fund balance for governmental funds in specific classifications (nonspendable, restricted, committed, assigned and unassigned) based on the extent to which the City is bound to the constraints on the specific purposes for which funds can be spent. The Grant only receives restricted revenues. No fund balance was reported as of June 30, 2024.

(d) *Due to the City of Palo Alto*

Cash has been advanced to the Grant projects for expenditures paid by the City's Capital Projects Fund for the benefit of the TDA Article III projects. The Grant projects are obligated to immediately repay these advances upon receipt of reimbursement from the Metropolitan Transportation Commission.

CITY OF PALO ALTO, CALIFORNIA
Pedestrian/Bicycle Facilities Grant
Metropolitan Transportation Commission
Transportation Development Act Funds, Article III
Notes to the Financial Statements
For the Year Ended June 30, 2024

NOTE 3 – INTEREST EARNED ON ALLOCATED FUNDS

The City incurred and paid expenditures prior to the receipt of the grant reimbursements and as a result, no interest was earned on Grant funds.

NOTE 4 – PROJECTS

The major projects funded in part by the Grant during the fiscal year ended June 30, 2024 were as follows:

<u>Project Title</u>	<u>Allocation Number</u>	<u>Allocation Amount</u>	<u>Expenditures incurred for the year ended June 30, 2024</u>
Bicycle and Pedestrian Transportation Project Update	22001053	\$ 334,852	* \$ 84,132
Bicycle and Pedestrian Transportation Project Update	24001113	<u>250,720</u>	<u>92,583</u>
Total		<u>\$ 585,572</u>	<u>\$ 176,715</u>

* During the year ended June 30, 2024, the remaining allocation amount of \$250,720 was rescinded.

**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
Governmental Auditing Standards and the Transportation Development Act**

Honorable Mayor and Members
of the City Council
City of Palo Alto, 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 (*Government Auditing Standards*), the financial statements of the Pedestrian/Bicycle Facilities Grant (Grant) made to the City of Palo Alto, California (City), by the Metropolitan Transportation Commission, Transportation Development Act Funds, Article III, as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated November 8, 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 the Grant's 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 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 or significant deficiencies may exist that were not identified.

Report on 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 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* 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, flowing style.

Walnut Creek, California
November 8, 2024