

**CITY OF ALBANY
ALAMEDA COUNTY
ALBANY, CALIFORNIA**

MEASURE F VRF FUND

Audited Financial Statements &
Independent Auditor's Report
June 30, 2020



Chavan & Associates, LLP
Certified Public Accountants
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

CITY OF ALBANY
Measure F VRF Fund
For the Fiscal Year Ended June 30, 2020

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the
City Council of the City of Albany
City of Albany, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure F Alameda County Vehicle Registration Fee Fund (Measure F VRF Fund) of the City of Albany, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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 City'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 City'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 opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure F VRF Fund of the City, as of June 30, 2020, and the respective changes in financial position and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note 2, the financial statements present only the Measure F VRF Fund and do not purport to, and do not, present fairly the financial position of the City of Albany, as of June 30, 2020, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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 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 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 in relation to the Measure F VRF Fund.

C & A LLP

December 19, 2020
San Jose, California

CITY OF ALBANY
Measure F VRF Fund
Balance Sheet
June 30, 2020

Assets	
Cash and investments	\$ 241,056
Accounts receivable	<u>13,485</u>
Total Assets	<u><u>\$ 254,541</u></u>
 Fund Balance	
Restricted for capital projects	<u>\$ 254,541</u>
Total Fund Balance	<u><u>\$ 254,541</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ALBANY
Measure F VRF Fund
Statement of Revenue, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2020

Revenues	
Measure F vehicle registration fees	\$ 76,261
Investment earnings	<u>5,580</u>
Total Revenue	<u>81,841</u>
Expenditures	
Capital outlay	<u>19,537</u>
Total Expenditures	<u>19,537</u>
Net Change in Fund Balance	62,304
Fund Balance Beginning	<u>192,237</u>
Fund Balance Ending	<u><u>\$ 254,541</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ALBANY
Measure F VRF Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 - MEASURE F VEHICLE REGISTRATION FEE PROGRAM

The Measure F Alameda County Vehicle Registration Fee (VRF) Program was approved by the voters in November 2010, with 63 percent of the vote. The fee will generate about \$10.7 million per year by a \$10 per year vehicle registration fee. The collection of the \$10 per year vehicle registration fee started in the first week of May 2011.

The goal of the VRF program is to sustain the County's transportation network and reduce traffic congestion and vehicle related pollution. The program includes four categories of projects:

- Local Road Improvement and Repair Program (60 percent)
- Transit for Congestion Relief (25 percent)
- Local Transportation Technology (10 percent)
- Pedestrian and Bicyclist Access and Safety Program (5 percent)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure F Alameda County Vehicle Registration Fee Fund ("Measure F VRF Fund") of the City of Albany, California (the "City") are included as a separate special revenue fund in the financial statements of the City. The Measure F VRF Fund is included as part of the State Construction and Maintenance Fund in the basic financial statements of the City. The Fund is used to account for the City's revenues earned and expenditures incurred under the City's various street maintenance and construction projects. The accompanying financial statements are for Measure F VRF Fund only and are not intended to fairly present the financial position or results of operations of the City.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting. The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, are generally included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance for the Measure F VRF Fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Revenues and Receivables

During the course of normal operation, the fund carries various receivable balances for taxes and interest. Revenues are recorded when received in cash, except revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the fund, are Measure F VRF transportation Commission funds.

CITY OF ALBANY
Measure F VRF Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Expenditures

On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

C. Assets, Liabilities, and Equity

Cash, Cash Equivalents, and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (Amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

Other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is

CITY OF ALBANY
Measure F VRF Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Fund Balance Policy and Classifications

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the City's Council.
- Assigned includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) City Council or (b) a body (a budget, finance committee, or management (City Wide Leadership team, which consists of City Manager and Executive Department Heads)) to which the assigned amounts are to be used for specific purposes. The City Council adopted Resolution No. 2012-2 that delegated this authority to the City Manager. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund, that are not classified as non-spendable, restricted, or committed.
- Unassigned includes positive fund balance that has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then use unrestricted resources as needed. When expenditures are

CITY OF ALBANY
Measure F VRF Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

Use of Estimates

The presentation 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 reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

Summary of Cash and Investments

The Measure F VRF Fund's cash and investments are pooled with the City's cash and investments in order to generate optimum interest income.

The following summarizes Measure F VRF's cash and investments at fair value:

	Vehicle Registration Fee Fund
Cash in City Treasury	<u>\$ 241,056</u>

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Throughout the year the City may invest its pooled cash in the California Local Agency Investment Fund (LAIF). LAIF invests in accordance with Government Code Sections 16430 and 16480, the stated investment authority for the Pooled Money Investment Account, and is not required to be categorized using the levels above as deposits and withdrawals are made on the basis of \$1 and not fair value. As of June 30, 2020, the Measure F VRF Funds cash pooled with City were held in an operating account at a bank and not invested in LAIF.

CITY OF ALBANY
Measure F VRF Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

California Local Agency Investment Fund

The City participates in an investment pool managed by the State of California known as the Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in structured notes and asset-backed securities, defined as follows:

- Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, the structured notes and asset-backed securities are subject to market risk as to change in interest rates.

LAIF allows local agencies such as the City to participate in a Pooled Money Investment Account managed by the State Treasurers Office and overseen by the Pooled Money Investment Board and State Treasurer investment committee. A Local Agency Investment Advisory Board oversees LAIF. The investments with LAIF are not classified for credit risk due to their diverse nature and are stated at cost, which approximates fair value. The total amount invested by all public agencies in LAIF, as of June 30, 2020, was approximately \$101 billion. Of that amount, 96.63% is invested in non-derivative financial products and 3.37% in structured notes and asset-backed securities. The balance in LAIF is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

Investment Policy

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptance	180 days	40%	10%
Commercial Paper	270 days	15%	10%
Medium - Term Notes	One year	15%	5%
Money Market Mutual Funds	None	None	None
Repurchase Agreements	7 days	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Investment Trust of California (CalTrust)	None	25%	None
Negotiable Certificates of Deposits	One year	15%	None

CITY OF ALBANY
Measure F VRF Fund
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

Risk Disclosures

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the fluctuation in fair value of investment due to changes in interest rates. The City's exposure to losses caused by rising interest rates is minimized by limiting the average maturity of the City's investment not to exceed five years.

Credit Risk

Credit risk is the risk of loss of value of a security or investment due to downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution to reduce the City's exposure to credit risks.

Custodial Credit Risk – Deposits

The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. City investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are, therefore, exempt.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2020:

	Vehicle Registration Fee
Pass-through Agency	
Alameda County Transportation Commission	\$ 13,485

**OTHER INDEPENDENT AUDITOR'S
REPORTS**



**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 Albany
City of Albany, 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 Measure F Alameda County Vehicle Registration Fee Fund (Measure F VRF Fund) of the City of Albany as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Measure F Alameda County Vehicle Registration Fee Fund (Measure F VRF Fund) financial statements, and have issued our report thereon dated December 19, 2020.

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) to determine the 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 City'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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and recommendations*, we identified certain deficiencies in internal control that we consider to be material weaknesses: see findings 2020-001, 2020-002, and 2020-003.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Albany'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 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*.

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.

C & A LLP

December 19, 2020
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO MEASURE F VRF**

To the Honorable Mayor and Members of the
City Council of the City of Albany
City of Albany, California

Report on Compliance

We have audited the City of Albany, California (City)'s compliance with the types of compliance requirements described in the agreement between the City and Alameda County Transportation Commission applicable to Measure F Alameda County Vehicle Registration Fee Fund (VRF Fund), that could have a direct and material effect on the City's Measure F VRF Fund, for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to Measure F VRF.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance with Measure F VRF based on our audit in accordance with the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 noncompliance with the compliance requirements referred to above that could have a direct and material effect on Measure F VRF Fund. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on Measure F VRF compliance. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Compliance with Measure F VRF

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 the Measure F VRF Fund for the fiscal year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with



the types of requirements that could have a direct and material effect on Measure F VRF Fund to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with Measure F VRF, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

C & A LLP

December 19, 2020
San Jose, California

**SCHEDULE OF FINDINGS
AND
RECOMMENDATIONS**

CITY OF ALBANY
Measure F VRF Fund
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2020

Finding 2020-001 Financial Closing and Reporting (Material Weakness)

Condition: During our audit, we noted that several accrued balances did not agree to supporting subledgers. We also noted that the City did not perform reconciliations of accounts receivable. Subsidiary ledger reports provided for the audit did not agree to the City's trial balance.

Criteria: The City's management is responsible for the fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). In addition, having an effective internal control system over financial reporting provides reasonable assurance for the safeguarding of assets, the reliability of financial information, and compliance with laws and regulations.

Effect: The City was not able to properly complete the closing process and analyze subledger accounts to ensure their agreement with the trial balance. The control deficiency caused the City to not be able to sufficiently determine the composition and nature of account balances in the general ledger and clear out incorrect entries.

Cause: During the period under audit, account balances were not reviewed to ensure they agreed to subsidiary schedules and that accruals were properly recorded.

Recommendation: We recommend that the City update its risk assessment process and business continuity planning to identify potential unusual circumstances that would result in significant delays in financial closing and reporting, and develop policies and procedures to prevent or mitigate the effects of these circumstances when they occur. The City should provide cross training of finance staff to ensure continuity during the financial reporting process and audit in case the City experience turnover in key finance positions. The City should also develop and implement formal written policies over significant accounts that include the timely reconciling of accounts to activity reported in related subsidiary ledgers. Key personnel should be trained to recognize errors in the accounting records in order to prevent, or detect and correct them in a timely manner.

City's Response: The City agrees with the auditor's recommendations. In response, the City has been working to implement these recommendations with the assistance of their CPA consultant. The City has also continued to seek out the assistance of representatives from the Munis accounting software to analyze and assist in correcting and clearing any on-going erroneous entries. Account balances have since been corrected and reconciled to subsidiary ledgers.

CITY OF ALBANY
Measure F VRF Fund
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2020

Finding 2020-002 Cash and Investments (Material Weakness)

Condition: During the performance of our audit, we noted that bank reconciliations did not agree with the cash balances included in the City's trial balance.

Criteria: Management is responsible for the fair presentation of financial statements which includes ensuring the financial statements are issued in conformity with accounting principles generally accepted in the United States of America.

Effect: Variances between the City's trial balance and information from financial institutions were not properly accounted for, resulting in audit adjustments.

Cause: During the period under audit, bank reconciliations were not reviewed to ensure they agreed to cash balances reported in the City's trial balance.

Recommendation: We recommend that someone other than the person that prepared the bank reconciliation review the bank reconciliation to ensure it ties to the final trial balance. We also recommend that the City train and cross-train personnel to maintain continuity over the bank reconciliation process, and to have key individuals with the proper knowledge, skill and experience to prevent, or detect and correct misstatements on a timely basis.

City's Response: The City agrees with the auditor's recommendations and will ensure the final bank reconciliation is reviewed and ties to the final closed trial balance. As recommended last year, the City has developed new written policies for their cash and investments procedures, trained key personnel on Munis and how pooled cash transactions are recorded in the financial system, hired and trained other key personnel, and performed bank reconciliations on a monthly basis. Despite the improvements that the City has already made, it plans to continue working with its CPA consultant, as well as providing additional staff training, to better understand the financial system and pooled cash transactions.

CITY OF ALBANY
Measure F VRF Fund
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2020

Finding 2020-003 Beginning Balances (Material Weakness)

Condition: During our performance of the City’s audit, we noted that several beginning account balances did not agree to the prior year ending balances.

Criteria: The City’s management is responsible for the fair presentation of financial statements, and to ensure their conformity with accounting principles generally accepted in the United States of America. A good internal control system for financial reporting requires that beginning balances for accounts, such as cash and investments, accounts receivable, accounts payable, fund balance, and other, should be supported by supporting schedules and reconciliations.

Effect: The City was not able to substantiate the beginning fund balance reported in the financial statements, and as a result, ending balances were not properly presented.

Cause: During the period under audit, journal entries were made in error to beginning fund balance accounts, and account balances were not properly reviewed to ensure their accuracy.

Recommendation: We recommend the City develop formal written policies over significant accounts that include the timely reconciling of accounts to activity reported in related subsidiary ledgers and reviewing balances for accuracy. The City should continue to train key personnel to ensure that journal entries and other transactions are recorded to the correct period, and so that they are able to have the knowledge, skills and experience to prevent, or detect and correct misstatements on a timely basis.

City’s Response: The City agrees with the auditor’s recommendations and will continue working with their CPA consultant to help implement these recommendations. The City will also continued to seek out the assistance of representatives from the Munis accounting software to analyze and assist in correcting and clearing any on-going erroneous entries.

CITY OF ALBANY
Measure F VRF Fund
Status of Prior Year Findings and Recommendations
For the Fiscal Year Ended June 30, 2020

Finding 2019-001 Financial Closing and Reporting (Material Weakness)

Status: Not implemented, see Finding 2020-001.

Finding 2019-002 Cash and Investments (Material Weakness)

Status: Not implemented, see Finding 2020-002.

Finding 2019-003 Beginning Balances (Material Weakness)

Status: Not implemented, see Finding 2020-003.