

**City of
Berkeley**
Alameda County
**Transportation Improvement
Authority - Measure B Funds**
Berkeley, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2010

City of Berkeley
Alameda County Transportation Improvement Authority – Measure B Funds

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Alameda County Transportation Improvement Authority – Measure B Funds (Measure B Funds) of the City of Berkeley, California (City), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Measure B Funds are intended to present the financial position and the changes in financial position of the Measure B Funds. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2010, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City's Measure B Funds as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010, on our consideration of the City's internal control over financial reporting as it relates to the Measure B Funds 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* and should be considered in assessing the results of our audit.

To the Honorable Mayor and Members of City Council
of the City of Berkeley
Berkeley, California
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The accompanying budgetary comparison information on pages 9 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
San Francisco, California
December 30, 2010

City of Berkeley
Alameda County Transportation Improvement Authority - Measure B Funds
Balance Sheet
June 30, 2010

	Special Revenue Funds			Total
	ACTIA Streets and Roads	ACTIA Bike and Pedestrian	ACTIA Paratransit	
ASSETS				
Cash and investments	\$ 1,390,718	\$ 460,355	\$ -	\$ 1,851,073
Taxes receivable	319,691	37,310	24,656	\$ 381,657
Subventions/grants	-	164,593	71,616	236,209
Total assets	\$ 1,710,409	\$ 662,258	\$ 96,272	\$ 2,468,939
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 358,033	\$ -	\$ 3,113	\$ 361,146
Accrued salaries and fringe benefits	59,264	2,855	811	62,930
Due to the City	-	-	67,182	67,182
Deferred revenues	-	164,593	8,773	173,366
Total liabilities	417,297	167,448	79,879	664,624
Fund Balances:				
Reserved for:				
Reserved for encumbrances	541,244	90,422	7,982	639,648
Unreserved and undesignated:				
Special revenue funds	751,868	404,388	8,411	1,164,667
Total fund balances	1,293,112	494,810	16,393	1,804,315
Total liabilities and fund balances	\$ 1,710,409	\$ 662,258	\$ 96,272	\$ 2,468,939

See accompanying Notes to Financial Statements.

City of Berkeley
Alameda County Transportation Improvement Authority - Measure B Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2010

	Special Revenue Funds			Total
	ACTIA Streets and Roads	ACTIA Bike and Pedestrian	ACTIA Paratransit	
REVENUES:				
Measure B sales taxes	\$ 1,995,568	\$ 232,898	\$ 153,905	\$ 2,382,371
Grant revenue	-	152,308	119,249	271,557
Interest income	1,325	684	-	2,009
Total Revenues	1,996,893	385,890	273,154	2,655,937
EXPENDITURES:				
General government	\$ 126,570	\$ -	\$ -	\$ 126,570
Highway and streets	1,687,736	156,621	-	1,844,357
Community development and housing	125	182,618	259,107	441,850
Total Expenditures	1,814,432	339,240	259,107	2,412,779
REVENUES OVER (UNDER) EXPENDITURES	182,461	46,650	14,047	243,158
FUND BALANCES:				
Beginning of year	1,110,651	448,160	2,346	1,561,157
End of year	\$ 1,293,112	\$ 494,810	\$ 16,393	\$ 1,804,315

See accompanying Notes to Financial Statements.

City of Berkeley
Alameda County Transportation Improvement Authority – Measure B Funds
Notes to the Financial Statements
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Alameda County Transportation Improvement Authority – Measure B Funds (Measure B Funds) of the City of Berkeley, California (City), are included as separate special revenue funds in the basic financial statements of the City. Measure B Funds are used to account for the City's share of revenues earned and expenditures incurred under the City's paratransit and capital programs. The accompanying financial statements are for Measure B Funds only and are not intended to fairly present the financial position of the City.

B. Basis of Accounting

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current periods. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred.

C. Fund Accounting

The operations of the Measure B Funds are accounted for in three separate special revenue funds, ACTIA Streets and Roads, ACTIA Bike and Pedestrian, and ACTIA Paratransit. The funds are separate accounting entities with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenditures.

D. Fund Balance

Reservations of fund balances indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to a specific use honored during the subsequent fiscal year. Encumbrances outstanding at the fiscal year end are reported as a reservation of fund balance and the related appropriation is automatically carried forward into the next fiscal year. Unreserved and undesignated amounts represent amounts available for future uses.

E. Cash and Investments

Cash and Investments of the Measure B Special Revenue Funds are pooled with other funds of the City. The City pools cash resources from all funds in order to facilitate and maximize the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

City of Berkeley
Alameda County Transportation Improvement Authority – Measure B Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2010

E. Cash and Investments, continued

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

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, All investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of daily cash and investment balances.

F. Receivables

Receivables include amounts due from other governments. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred.

G. Deferred Revenues

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures.

H. 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.

2. MEASURE B FUNDS

Under Measure B, approved by the voters of Alameda County in 1986 (ACTA Old Measure B) and in 2000, (ACTIA Measure B), the City receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation-related expenditures. This measure was adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid for by property taxes but, rather, would be used for additional projects and programs.

City of Berkeley
Alameda County Transportation Improvement Authority – Measure B Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS

Measure B Funds' cash and investments are part of the City's pooled cash and investments. 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. The pool consists of U.S. Agency Securities, Medium Term Notes, Money Market Funds and Guaranteed Investment Contracts. The Measure B Funds' share of the pool is \$1,851,073. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

A. Risk Disclosures

Interest Risk – Interest rate risk is that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, there is the greater the sensitivity of its fair value to changes in market interest rates. One of the way that the City manages its exposures to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The City has the intention to hold all investments to maturity. The average maturity of the City's pooled investments governed by the Investment Policies was approximately 36.9 months as of June 30, 2010.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City requires the issuer to have the highest rating from two nationally recognized rating agencies. Purchases of corporate notes shall be limited to securities rated "A" or higher by Moody's and "A" or higher by Stand and Poor's. The U.S. Agency Securities and Medium Term Notes in the pool are rated AAA and A/AA, respectively. The Money Market Funds and Guaranteed Investment Contracts are not rated.

Concentration of Credit Risk– The investment policies of the City contain no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk – 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.

4. COMMITMENTS AND CONTINGENCIES

The Measure B Special Revenue Funds have received grant funds for specific purposes that are subject to review by the grantor agencies. These programs are subject to further audit by the grantor agencies and upon further examination by the grantors, certain costs could be disallowed. The City expects that such amounts if any to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

City of Berkeley

**Alameda County Transportation Improvement Authority - ACTIA Streets and Roads
 Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual
 June 30, 2010**

	ACTIA Streets and Roads		
	Final Budget Amount	Actual Amounts	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Measure B sales taxes	\$ 2,325,827	\$ 1,959,735	\$ (366,092)
Grant revenue	-	-	-
Interest income	-	1,325	1,325
Total Revenues	2,325,827	1,961,060	(364,767)
EXPENDITURES:			
General government	\$ 235,491	\$ 126,570	\$ 108,921
Highway and streets	2,085,238	1,335,693	749,545
Operating Expenditures	125	125	0
Total Expenditures	2,320,854	1,462,388	858,466
REVENUES OVER (UNDER) EXPENDITURES	4,973	498,672	493,699
FUND BALANCE:			
Beginning of year		826,794	
End of year		\$ 1,325,466	
Explanation of differences between budgetary basis to modified accrual basis:			
Net change in fund balance - budgetary basis		\$ 498,672	
Receivable accrual		35,833	
Liability accrual		(352,044)	
Net change in fund balances - GAAP basis		\$ 182,461	

City of Berkeley

**Alameda County Transportation Improvement Authority - ACTIA Bike and Pedestrian
Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual
June 30, 2010**

	ACTIA Bike and Pedestrian		
	Final Budget	Actual	Variance with
	Amount	Amount	Final Budget
			Positive/ (Negative)
REVENUES:			
Measure B sales taxes	\$ 272,404	\$ 228,833	\$ (43,571)
Grant revenue	-	152,308	152,308
Interest income	-	684	684
Total Revenues	272,404	381,825	109,421
EXPENDITURES:			
Highway and streets	\$ 412,868	\$ 156,622	\$ 256,246
Community development and housing	182,618	182,618	-
Total Expenditures	595,486	339,240	256,246
REVENUES OVER (UNDER)			
EXPENDITURES	(323,082)	42,585	365,667
FUND BALANCE:			
Beginning of year		414,915	
End of year		\$ 457,500	
Explanation of differences between budgetary basis to modified accrual basis:			
Net change in fund balance - budgetary basis		\$ 42,585	
Receivable accrual		4,065	
Liability accrual		-	
Net change in fund balances - GAAP basis		<u>\$ 46,650</u>	

City of Berkeley
Alameda County Transportation Improvement Authority - ACTIA Paratransit
Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual
June 30, 2010

	ACTIA Paratransit		
	Final Budget Amount	Actual Amount Paratransit	Variance with Final Budget Positive/ (Negative)
REVENUES:			
Measure B sales taxes	\$ -	\$ 88,278	\$ 88,278
Grant revenue	179,236	119,249	(59,987)
Interest income	-	-	-
Total Revenues	179,236	207,527	28,291
EXPENDITURES:			
Community development and housing	\$ 272,003	\$ 259,107	\$ 12,896
Total Expenditures	272,003	259,107	12,896
REVENUES OVER (UNDER)			
EXPENDITURES	(92,767)	(51,580)	41,187
FUND BALANCE:			
Beginning of year		(19,525)	
End of year		\$ (71,105)	
Explanation of differences between budgetary basis to modified accrual basis:			
Net change in fund balance - budgetary basis		\$ (51,580)	
Receivable accrual		2,784	
Liability accrual		62,843	
Net change in fund balances - GAAP basis		\$ 14,047	

City of Berkeley
Alameda County Transportation Improvement Authority – Measure B Funds
Notes to Required Supplementary Information
For the year ended June 30, 2010

1. BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Control and Budgetary Accounting

Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the upcoming fiscal year. The proposed budget includes a summary of proposed expenditures and forecasted revenues of the City's special revenue funds.

The City Council adopts the budget prior to July 1 of each fiscal year. The annual budget indicates appropriations by fund. The Council may adopt supplemental appropriations during the year. Any unused funds are re-appropriated to the following fiscal year until the project is completed. The budget is adopted on a modified cash basis, which is not consistent with generally accepted accounting principles (GAAP).

**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 City Council
of the City of Berkeley
Berkeley, California

We have audited the financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds) of the City of Berkeley, California (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 30, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as it relates to the Measure B Funds as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 Measure B Funds' financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and Members of City Council
of the City of Berkeley
Berkeley, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City's Measure B Funds are free of material misstatement, we performed tests of its compliance with certain provision 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*.

This report is intended solely for the information and use of the Mayor, City Council, management, and the Alameda County Transportation Improvement Authority, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
San Francisco, California
December 30, 2010

INDEPENDENT AUDITORS' REPORT ON MEASURE B COMPLIANCE

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

We have audited the accompanying financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds) of the City of Berkeley, California (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 30, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement.

Compliance with laws and regulations, contracts and grants applicable to the Measure B Funds are the responsibilities of Measure B Funds Management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with Measure B grant regulations as specified in the agreement between the City and Alameda County Transportation Improvement Authority for the year ended June 30, 2010.

Under Measure B, approved by the voters of Alameda County in 2000, the City has received under ACTIA Measure B a total of 12 months of revenue from July 2009 through June 2010. The Local Street and Roads program has received \$1,995,568, the Bike and Pedestrian program has received \$232,898, and the Paratransit program has received \$153,905. This financial statement reflects twelve months of revenue for the Local Streets and Roads, the Bike and Pedestrian, and the Paratransit programs.

In our opinion the City of Berkeley is materially in compliance with the laws and regulations, contracts and grant requirements related to Measure B funds as specified in the agreement between the City and Alameda County Transportation Improvement Authority. Our opinion is covering the period from July 1, 2009 through June 30, 2010.

This report is intended solely for the information and use of the Mayor, City Council, management, and the Alameda County Transportation Improvement Authority, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
San Francisco, California
December 30, 2010