

CITY OF OAKLAND

**ALAMEDA COUNTY TRANSPORTATION
IMPROVEMENT AUTHORITY
MEASURE B FUNDS**

**FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)
JUNE 30, 2008**

CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY
MEASURE B FUNDS
June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Alameda County Transportation Improvement Authority (ACTIA) - Measure B Funds of the City of Oakland (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oakland's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

As discussed in Note 1, the financial statements present only that portion of funds of the City that are attributable to the transactions of ACTIA Measure B Funds and are not intended to present fairly, the financial position and the results of operations of the City 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 respective financial position of the ACTIA Measure B Funds of the City of Oakland as of June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 18, 2008 on our consideration of the City of Oakland'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 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 important for assessing the results of our audit.

Grant & Smith, LLP

December 18, 2008
Oakland, California

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY
MEASURE B FUNDS
BALANCE SHEET
AS OF JUNE 30, 2008**

	<u>Streets and Roads</u>	<u>Bike and Pedestrians</u>	<u>Paratransit</u>	<u>Total (Memorandum Only)</u>
ASSETS				
Cash and Investments	\$ 15,015,369	\$ 3,351,744		\$ 18,367,113
Interest Receivable	67,925	14,309		82,234
Receivable for Measure B Allocation	1,492,032	181,488	\$ 185,269	1,858,789
Other Receivable	380			380
TOTAL ASSETS	<u>16,575,706</u>	<u>3,547,541</u>	<u>185,269</u>	<u>20,308,516</u>
LIABILITIES & FUND BALANCES				
LIABILITIES:				
Accounts Payable	1,781,690	72,430	117,004	1,971,124
Due to Other Funds	461	200	31,207	31,868
TOTAL LIABILITIES	<u>1,782,151</u>	<u>72,630</u>	<u>148,211</u>	<u>2,002,992</u>
FUND BALANCES:				
Reserved for Encumbrances (Note 3)	1,302,250	587,323	2,095	1,891,668
Unreserved (Note 3)	13,491,305	2,887,588	34,963	16,413,856
TOTAL FUND BALANCES	<u>14,793,555</u>	<u>3,474,911</u>	<u>37,058</u>	<u>18,305,524</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 16,575,706</u>	<u>\$ 3,547,541</u>	<u>\$ 185,269</u>	<u>\$ 20,308,516</u>

The accompanying notes and accountants' report are an integral part of these financial statement.

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION AUTHORITY
MEASURE B FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AS OF JUNE 30, 2008**

	<u>Streets and Roads</u>	<u>Bike and Pedestrians</u>	<u>Paratransit</u>	<u>Total (Memorandum Only)</u>
REVENUES				
Measure B Allocation	\$ 9,332,511	\$ 1,135,186	\$ 971,359	\$ 11,439,056
Interest on Investments	696,767	129,149		825,916
Charges on Services	58,778		103,464	162,242
Other	1,783		75,850	77,633
TOTAL REVENUES	<u>10,089,839</u>	<u>1,264,335</u>	<u>1,150,673</u>	<u>12,504,847</u>
EXPENDITURES				
Life Enrichment Agency			1,113,746	1,113,746
Community & Economic Development Agency	<u>13,562,963</u>	<u>1,306,168</u>		<u>14,869,131</u>
TOTAL EXPENDITURES	<u>13,562,963</u>	<u>1,306,168</u>	<u>1,113,746</u>	<u>15,982,877</u>
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	(3,473,124)	(41,833)	36,927	(3,478,030)
BEGINNING FUND BALANCES	<u>18,266,679</u>	<u>3,516,744</u>	<u>131</u>	<u>21,783,554</u>
ENDING FUND BALANCES	<u>\$ 14,793,555</u>	<u>\$ 3,474,911</u>	<u>\$ 37,058</u>	<u>\$ 18,305,524</u>

The accompanying notes and accountants' report are an integral part of these financial statement.

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY
MEASURE B FUNDS
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In November 2000 Alameda County voters approved Measure B, a ballot measure to continue the County's ½ cent sales tax for transportation through March 2022. Measure B also established the Alameda County Transportation Improvement authority (ACTIA) to administer this sales tax effective April 1, 2002. Program funded by Measure B are as follows:

Streets and Roads Maintenance Program - to maintain the City's local streets and roads. These funds help the City repave streets, fill pot holes, install traffic signals and street signs, speed bumps, as well as repair sidewalks and address traffic safety issues.

Bike and Pedestrian Safety Program – The City Council adopted a priority list of projects for fiscal Years 2002-03 through 2007-08 which channels 90% of the City's bicycle/pedestrian funds to pedestrian safety projects and the remaining 10% earmarked for new bicycle lanes.

Paratransit Program – to provide transit services for the elderly and the handicapped.

These projects include:

- One new traffic signal each year
- Ten countdown pedestrian signal heads
- City wide sidewalks repair
- New street and traffic signs
- Pedestrian safety elements of streetscape projects
- New Bicycle lanes

Measure B Funds are accounted for in special revenue funds of the City of Oakland's (the City) financial accounting records. The financial statements of the Measure B funds present only the financial activities of the Measure B Funds and are not intended to fairly present the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

Measurement Focus and basis of Accounting

The accompanying 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 available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred and is expected to be liquidated with expendable available resources.

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY
MEASURE B FUNDS
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash and investments for Measure B Funds are maintained in the City's cash and investment pool. Funds are invested according to the investment policy adopted by the City Council. Investments are generally carried at fair value. Relevant information about the separate portion of the investment pool related to Measure B is not available. Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2008 Comprehensive Annual Financial Report (CAFR) under the basic financial statements.

Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds based on their proportionate share of the average daily cash balance.

Due to Other Funds

Short-term amounts owed to or due from other City funds are classified as due to/from other funds.

Fund Balances

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 specific use. Encumbrances outstanding at fiscal year end are reported as reservation of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

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 certain reported balances. Accordingly, actual results could differ from those estimates.

Total (Memorandum Only) Columns

Total columns on the financial statements are captions "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position or changes in financial position in accordance with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of this data.

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY
MEASURE B FUNDS
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2008**

NOTE 2 – SELF INSURANCE

The City of Oakland is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City is self-insured for its general liability, worker's compensation, malpractice liability, general and auto liability and has excess reinsurance with the California State Association of Counties.

NOTE 3 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2008, \$1,302,250 of ACTIA Measure B Streets and Roads Funds, \$587,323 of ACTIA Measure B Bike and Pedestrian Funds and \$2,095 of ACTIA Measure B Paratransit Funds were committed to cover anticipated costs of completing various projects and programs.

Of the unreserved ACTIA Measure B funds of \$16,413,856 the City has appropriated \$12,663,534 for various capital improvements projects. These amounts may or may not result in actual expenditures.

NOTE 4 – MEASURE B FUNDS IN THE CITY'S BASIC FINANCIAL STATEMENTS

Measure B funds are grouped with other funds and grouped under "Traffic Safety and Control" as a part of Non Major Governmental Funds (Special Revenue Funds) in City's June 30, 2008, Comprehensive Annual Financial Report (CAFR) under the basic financial statements. That report may be obtained by writing to the Financial Management Agency, Accounting Division City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093.

Cash and Investments of Measure B Funds as reported in City's June 30, 2008, basic financial statements and as reported in the current financial statements are the same.

Fund balances of Measure B Funds as reported in City's June 30, 2008, basic financial statements and as reported in the current financial statements are not the same. The difference is mainly due to adjustments of revenue based on subsequent receipts and adjustments of unrecorded expenses based on the subsequent invoices submitted by the Vendors/Contractors after City's books are closed.



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE B
FUNDS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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 Oakland
Oakland, California

We have audited the financial statements of the Measure B Funds of the City of Oakland (the City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2008. 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 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 over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE B FUNDS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS (CONTINUED)*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 determination of financial statement amounts. Our audit included tests of compliance with provisions of the Measure B grant requirements.

In our opinion, the City of Oakland 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, 2007 through June 30, 2008.

This report is intended solely for the information and use of the Honorable Mayor and Members of the City Council of the City of Oakland and the City's management, State Controller's Office and officials of the Alameda County Transportation Improvement Authority and is not intended to be and should not be used by anyone other than these specified parties.



Oakland, California
December 18, 2008

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY
MEASURE B FUNDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2008**

No findings or questioned costs were noted during the current year's audit.

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY
MEASURE B FUNDS
STATUS OF PRIOR YEAR FINDINGS
AS OF JUNE 30, 2008**

There were no findings for FYE 6/30/07.