

CITY OF OAKLAND

**ALAMEDA COUNTY TRANSPORTATION
COMMISSION
MEASURE B FUNDS**

**FINANCIAL STATEMENTS
JUNE 30, 2014**



GRANT & SMITH, LLP
Certified Public Accountants

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE B FUNDS
JUNE 30, 2014**

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INDEPENDENT AUDITORS' 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 Commission (Alameda CTC) - Measure B Funds of the City of Oakland (the City) as of and for the year ended June 30, 2014, as shown on pages 3 & 4. These financial statements are the responsibility of the City of Oakland's management. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Alameda CTC Measure B Funds of the City of Oakland, California, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Alameda CTC Measure B Funds of the City of Oakland, California, are intended to present the financial position, the changes in financial position of only that portion of Alameda CTC Measure B Funds that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the City of Oakland, California as of June 30, 2014, the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Governmental Auditing Standards, we have also issued our report dated December 23, 2014 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 should be considered in assessing the results of our audit.

Grant & Smith, LLP

Oakland, California
December 23, 2014



**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE B FUNDS
BALANCE SHEET
AS OF JUNE 30, 2014**

	Streets and Roads	Bike and Pedestrians	Paratransit	Total
ASSETS:				
Cash & Investments	\$ 7,860,166	\$ 2,591,649	\$ -	\$ 10,451,815
Receivables:				
Measure B Allocation	1,583,723	185,005	158,871	1,927,599
Prepaid Expenditures	7,292			7,292
TOTAL ASSETS	\$ 9,451,181	\$ 2,776,654	\$ 158,871	\$ 12,386,706
LIABILITIES & FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ 188,662	\$ 591,197	\$ 44,417	\$ 824,277
Due to Other Funds			114,454	114,454
TOTAL LIABILITIES	188,662	591,197	158,871	938,731
NET POSITION:				
Restricted for Measure B Qualified Projects and Programs	9,262,519	2,185,457	-	11,447,976
TOTAL LIABILITIES & NET POSITION	\$ 9,451,181	\$ 2,776,654	\$ 158,871	\$ 12,386,706

See accompanying notes.

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE B FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Streets and Roads</u>	<u>Bike and Pedestrians</u>	<u>Paratransit</u>	<u>Total</u>
REVENUES:				
Measure B Allocation	\$ 9,802,507	\$ 1,145,096	\$ 983,337	\$ 11,930,939
Interest on Investments	17,039	6,919		23,958
Unrealized Gain/Loss in Market	10,735	5,324		16,058
TOTAL REVENUES	<u>9,830,281</u>	<u>1,157,338</u>	<u>983,337</u>	<u>11,970,956</u>
EXPENDITURES:				
Transportation & Operation			983,337	983,337
Planning, Engineering & Construction	9,096,450	2,301,671		11,398,121
TOTAL EXPENDITURES	<u>9,096,450</u>	<u>2,301,671</u>	<u>983,337</u>	<u>12,381,458</u>
REVENUES OVER (UNDER) EXPENDITURES	733,831	(1,144,333)		(410,502)
BEGINNING NET POSITION	8,528,688	3,311,779	158,107	11,998,574
PRIOR PERIOD ADJUSTMENT		18,011	(158,107)	(140,096)
ENDING NET POSITION	<u>\$ 9,262,519</u>	<u>\$ 2,185,457</u>	<u>\$ -</u>	<u>\$ 11,447,975</u>

See accompanying notes.

CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE B FUNDS
Notes to Financial Statements
June 30, 2014

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. In July 2010, ACTIA merged with the Alameda County Congestion Management Agency to become the Alameda County Transportation Commission (Alameda CTC). Projects funded by Measure B are as follows:

Local Streets and Roads – 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 – The City Council adopted a priority list of projects for Fiscal Years 2011-12 through 2013-14 which channels 65% of the City's bicycle/pedestrian funds to pedestrian safety projects and the remaining 35% earmarked for implementing the City's Bicycle Master Plan.

Paratransit – To provide transit services for the elderly and people with disabilities.

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 after the end of the current fiscal year. Expenditures are recorded when the liability is incurred and is expected to be liquidated with expendable available resources.

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.

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE B FUNDS
Notes to Financial Statements
June 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Cash and Investments – (Continued)

Information regarding the characteristics of the entire investment pool can be found in the City’s June 30, 2014 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

During the course of operations, some transactions occur between individual funds for services rendered. These payables are classified as “due to 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.

Restatement of Beginning Net Position

The City recorded a prior period adjustment for the Paratransit Fund to remove non Measure B revenues previously reported in the Fund.

	Fund Balance, as Previously Reported	Prior Period Adjustment	Fund Balance, as Restated
Fund Statements			
Paratransit Fund	\$ 158,107	\$ (158,107)	\$ 0

CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE B FUNDS
Notes to Financial Statements
June 30, 2014

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, 2014, \$5,252,966 of Measure B Streets and Roads Funds, \$1,104,221 of Measure B Bike and Pedestrian Funds and \$38,884 Measure B Paratransit Funds were committed to cover anticipated costs of completing various projects and programs. Of the balance of \$5,051,905, the City has appropriated \$3,353,986 for various capital improvements projects. These amounts may or may not result in actual expenditures.

NOTE 4 – PRIOR PERIOD ADJUSTMENT

An adjustment has been made for Fund 2212 in the audited financial statements to correct the opening net assets. In the prior year, \$18,011 was accounted for as accounts payable twice. As a result, prior year net assets were understated, and accounts payable was overstated. This adjustment corrects the effects of that prior period error. A Prior Period adjustment for an amount of \$158,107 was also made to Fund 2213 to comply with Alameda CTC to exclude Measure B GAP and any other Non-Measure B funds.

NOTE 5 – MEASURE B FUNDS IN THE CITY'S BASIC FINANCIAL STATEMENTS

Measure B funds are grouped with other funds under "Traffic Safety and Control" as a part of Non Major Governmental Funds (Special Revenue Funds) in the City's June 30, 2014, 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 the City's June 30, 2014, basic financial statements and as reported in the current financial statements are the same.

Fund balances of Measure B Funds as reported in the City's June 30, 2014, 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 the City's books are closed.



INDEPENDENT AUDITORS' 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 Oakland
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure B Funds of the City of Oakland (the City), California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Oakland, California's basic financial statements, and have issued our report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Oakland, California'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 of Oakland, California's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Oakland, California's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITORS' 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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland, California'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*.

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 grant agreement between The County and Alameda County Transportation Commission. Our opinion is covering the period from July 01, 2013 through June 30, 2014.

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.

Grant & Smith, LLP

Oakland, California
December 23, 2014



**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE B FUNDS
Schedule of Findings and Questioned Costs
June 30, 2014**

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

**CITY OF OAKLAND
ALAMEDA COUNTY TRANSPORTATION COMMISSION
MEASURE B FUNDS
Status of Prior Year Findings
June 30, 2014**

There were no findings for FYE 6/30/13.