

**ALAMEDA COUNTY  
TRANSPORTATION AUTHORITY**

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**Basic Financial Statements with Supplementary Information**

**June 30, 2008**

**(With Independent Auditors' Report)**

**ALAMEDA COUNTY TRANSPORTATION AUTHORITY**

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**JUNE 30, 2008**

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## INDEPENDENT AUDITORS' REPORT

The Governing Board of the  
Alameda County Transportation Authority  
Oakland, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Alameda County Transportation Authority (ACTA) as of and for the year ended June 30, 2008, which collectively comprise the ACTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ACTA's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's financial statements, and in our report dated September 17, 2007, we expressed an unqualified opinion on those financial statements.

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 *Governmental 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of ACTA as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 20, 2008 on our consideration of the Authority'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 Accounting Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information such as Management's Discussions and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements of ACTA, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

*Varvinek, Trine, Day & Co., LLP.*

Pleasanton, California  
October 20, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Alameda County Transportation Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the Fiscal Year Ended June 30, 2008 (FYE 2008). We encourage readers to consider the information presented here in conjunction with the Authority's financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

The Authority's overall financial position remained steady in FYE 2008 as it continued its transition to the post-collection period where the primary activity is the delivery of remaining expenditure plan capital projects. At the end of the fiscal year, the Authority had \$227 million in net assets to deliver the remaining projects in the ACTA Expenditure Plan.

The fiscal year ended June 30, 2002 was a pivotal stage for the Authority as the sales tax collection stopped as of March 31, 2002. From that year forward, expenditures will generally exceed revenues and the Authority will spend down the net assets accumulated over the prior years on the remaining projects in the 1986 Expenditure Plan.

In FYE 2008, the Authority posted revenues of \$16.2 million, primarily from interest on investments. ACTA's total expenditures for FYE 2008 were \$20.2 million. A total of \$12.1 million and \$20.6 million were expended in FYE 2007 and FYE 2006, respectively.

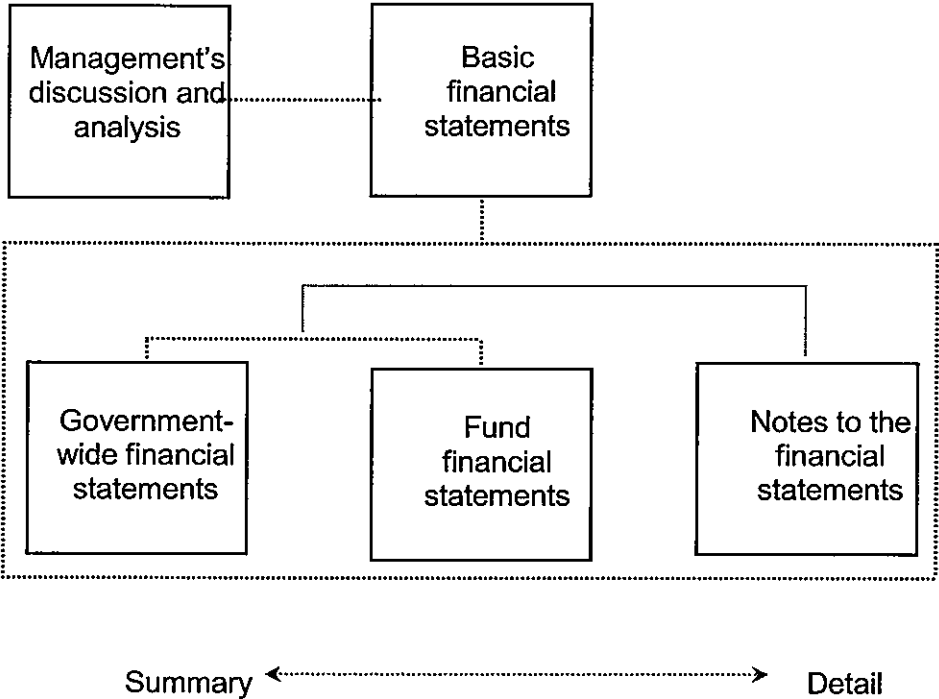
Of note is the remaining fund balance of \$227.2 million at the close FYE 2008 (compared to \$231.2 million at the end of last fiscal year). These funds are restricted assets that will be used for the completion of the remaining projects in the 1986 Expenditure Plan approved by voters, or as amended.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the management's discussion and analysis (this section), and the basic financial statements, including the government-wide financial statements, statements for the general and governmental funds, and budgetary comparison statements. The basic financial statements show the consolidated presentation of governmental funds, along with the required adjustments and the resulting government-wide statements. The distinction between the two formats is summarized below:

- The government-wide statements include the statement of net assets and the statement of activities, which provides a summary of both the expenses and revenues by function or program.
- The governmental fund statements, that provide a summary of the following:
  - Balance sheet showing the assets and liabilities by function;
  - Statement of revenues, expenditures and changes in fund balances, again by function (and reconciliation to the statement of activities) ; and
  - Budgetary comparison statements for the general and special revenue funds.

**Figure A-1**  
**The Alameda County Transportation Authority**  
**Required Components of the Annual Financial Report**



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the Authority’s financial statements, including the portion of the Authority they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**  
**The Alameda County Transportation Authority**  
**Major Features of the Government-Wide and Fund Financial Statements**

	<b>Government-Wide Statements</b>	<b>Governmental Funds</b>
<b>Scope</b>	Entire Authority	The activities of the entire Authority that are not proprietary or fiduciary, such as highways and streets and public transit
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

### **Government-Wide Statements**

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The statement of activities includes the expenses, revenues, and changes in net assets by function or program.

The two government-wide statements report the Authority's net assets and how they have changed. Net assets, the difference between the Authority's assets and liabilities, are one way to measure the Authority's financial health or position. Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Authority include only one category:

- Governmental activities – The Authority's basic services are included here, such as highways and streets, and public transit.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Authority's governmental funds, not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond covenants.
- The Authority Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

## FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

### Government-wide Statements

Government-wide statements include the statement of activities and the statement of net assets. Overall, expenses exceeded revenues, which in turn lowered the reserve funds for the expenditure plan implementation.

**Activities:** The Authority's total revenues for the current year, FYE 2008, were \$16.2 million, of which \$0.6 million were from capital grants, \$14.9 million was from operating grants/interest and \$0.7 million were from residual sales tax receipts. The Authority's total revenues for FYE 2007 were \$16.4 million, of which \$4.4 million were from capital grants, \$11.8 million was from operating grants/interest and \$0.1 million were from residual sales tax receipts. The Authority's total revenues for FYE 2006 were \$19.5 million, of which \$13.0 million were from capital grants, \$5.3 million was from operating grants/interest and \$1.3 million were from residual sales tax receipts (see Table A-1 and Figure A-3).

The total expenses for the Authority in the current year, FYE 2008, were \$20.2 million, which was primarily for Highways and Streets. The total expenses for the Authority in the prior year FYE 2007 were \$12.1 million, including Highways and Streets. The total expenses for the Authority in FYE 2006 were \$20.6 million, including \$20.4 million for Highways and Streets, \$0.2 million for Public Transit (see Table A-1 and Figure A-4).

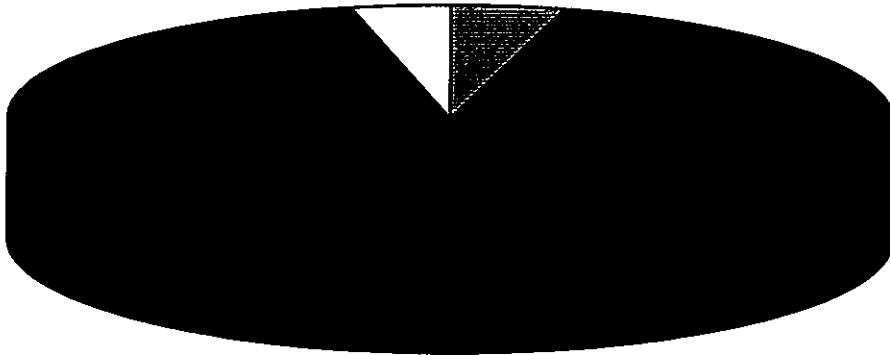
In the current year, FYE 2008, expenses exceeded revenues by \$4.0 million, resulting in net assets of \$227.2 million at year end. In FYE 2007, revenues exceeded expenses by \$4.3 million, resulting in net assets of \$231.2 million at year end. In FYE 2006, expenses exceeded revenues by \$1.1 million, resulting in net assets of \$227 million at year end. (see Table A-1).



**Table A-1**  
**The Alameda County Transportation Authority**  
**Changes in the Net Assets**  
**Years Ended June 30, 2008, 2007 and 2006**

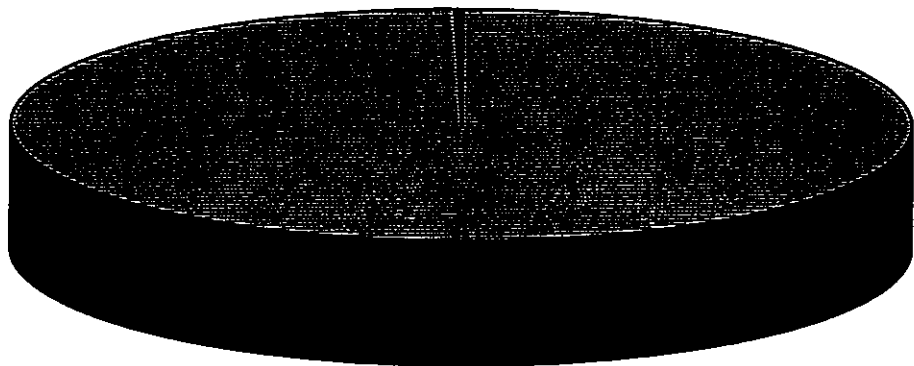
	<b>Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions	\$ 14,910,354	\$ 11,847,347	\$ 5,279,510
Capital grants and contributions	562,901	4,389,911	12,972,584
General revenues:			
Sales taxes	656,474	139,559	1,252,675
Other	23,950	21,467	20,100
<b>Total revenues</b>	<b>16,153,679</b>	<b>16,398,284</b>	<b>19,524,869</b>
<b>Expenses</b>			
Highway and Streets	20,092,371	12,093,331	20,435,978
Public Transit	86,207	18,325	164,500
<b>Total expenses</b>	<b>20,178,578</b>	<b>12,111,656</b>	<b>20,600,478</b>
Change in Net Assets	(4,024,899)	4,286,628	(1,075,609)
Fund Balance Adjustment	-	-	-
Net assets (deficit), beginning of year	231,241,046	226,954,418	228,030,027
<b>Net assets (deficit), end of year</b>	<b>\$ 227,216,147</b>	<b>\$ 231,241,046</b>	<b>\$ 226,954,418</b>

**Figure A-3**  
**The Alameda County Transportation Authority**  
**Sources of Revenue for the Year Ended June 30, 2008**



■ Sales Tax    ■ Investment Income    □ Capital Grants and Contributions

**Figure A-4**  
**The Alameda County Transportation Authority**  
**Functional Expenses for the Year Ended June 30, 2008**



■ Highways and Streets    ■ Public Transit    □ Debt Service

**Net Assets:** The total assets of the Authority at June 30, 2008 (current year) were \$228.8 million, of which \$223.0 was from cash and investments. Of the total net assets, \$4.1 million is invested in capital assets, and \$223.2 million is restricted for highways and streets. The total assets of the Authority at June 30, 2007 (prior year) were \$235.0 million, of which \$225.7 was from cash and investments. Of the total net assets, \$4.1 million is invested in capital assets, and \$227.1 million is restricted for highways and streets. The total assets of the Authority at June 30, 2006 were \$230.0 million, of which \$211.3 was from restricted cash and investments. Of the total net assets, \$4.1 million is invested in capital assets, and \$222.3 million is restricted for highways and streets (see Table A-2).

**Table A-2**  
**The Alameda County Transportation Authority**  
**Net Assets**  
**June 30, 2008, 2007 and 2006**

	<b>Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Cash and Investments	\$ 222,969,616	\$ 225,670,572	\$ 211,341,426
Receivables			
Accrued interest	94,622	284,479	179,245
Other governments	1,580,291	2,160,569	13,351,618
Other	62,029	2,754,939	1,039,006
Capital assets (net of accumulated depreciation)			
Land	4,068,000	4,068,000	4,068,000
Furniture and equipment	32,134	40,899	12,337
Other Assets	38,005	22,659	-
<b>Total assets</b>	<b>\$ 228,844,697</b>	<b>\$ 235,002,117</b>	<b>\$ 229,991,632</b>
Accounts payable	\$ 1,515,252	\$ 3,582,499	\$ 2,972,995
Payable to other government	116,298	178,572	64,219
Other	-	-	-
Noncurrent liabilities	-	-	-
<b>Total liabilities</b>	<b>1,631,550</b>	<b>3,761,071</b>	<b>3,037,214</b>
Net assets:			
Invested in capital assets	4,100,134	4,108,899	4,080,337
Restricted for:			
Highway and streets	223,116,013	227,132,147	222,874,081
<b>Total net assets</b>	<b>227,216,147</b>	<b>231,241,046</b>	<b>226,954,418</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 228,847,697</b>	<b>\$ 235,002,117</b>	<b>\$ 229,991,632</b>

## Financial Analysis of the Authority's Funds

### Governmental Funds

The Authority uses fund accounting to ensure compliance with finance-related legal requirements. The governmental funds in this case include the general, capital projects, and special revenue funds.

In FYE 2006, the Authority (ACTA) transferred all employees, administrative functions and related liabilities to ACTIA. This leaves only the capital projects accounting under ACTA. As a result of this change, the funds activity reported under ACTA were primarily related to the Capital Fund. This fund accounts for capital project expenditures and administrative costs (including consultants, salaries and benefits) relating to the delivery of capital projects.

The total net assets of the Authority at June 30, 2008 (current year) were \$227.2 million, of which \$223.0 was from cash and investments. The total net assets of the Authority at June 30, 2007 (prior year) were \$231.2 million, of which \$225.7 was from cash and investments. The total net assets of the Authority at June 30, 2006 were \$227 million, of which \$211.3 was from restricted cash and investments.

At the end of FYE 2008 (current year), the Authority's liabilities were \$1.6 million, of which \$1.5 million is for accounts payable related to the capital projects fund and the balance is other liabilities. At the end of FYE 2007 (prior year), the Authority's liabilities include \$3.8 million, of which nearly all is for accounts payable related to the capital projects fund. At the end of FYE 2006 the Authority's liabilities include \$3.0 million, of which nearly all is for accounts payable related to the capital projects fund.

Of the fund balances at the end of FYE 2008, \$223.1 million is reserved for Highways and Streets, for both capital projects and general administration. Of the fund balances at the end of FYE 2007, \$227.1 million is reserved for Highways and Streets, for both capital projects and general administration. Of the fund balances at the end of FYE 2006, \$222.9 million is reserved for Highways and Streets, for both capital projects and general administration.

In FYE 2008 (current year), the Authority had revenues of \$16.2 million, including \$0.7 million from the sales tax, \$14.9 million from investment income, and \$0.6 million from local matching funds. During the year the Authority expended \$20.2 million through the governmental funds, mostly for highways and streets. In FYE 2007 (prior year), the Authority had revenues of \$16.4 million, including \$0.1 million from the sales tax, \$11.8 million from investment income, and \$4.4 million from local matching funds. During the year the Authority expended \$12.1 million through the governmental funds, mostly for highways and streets. In FYE 2006 (prior year), the Authority had revenues of \$19.5 million, including \$1.3 million from the sales tax, \$5.3 million from investment income, and \$13.0 million from local matching funds. During the year the Authority expended \$20.6 million through the governmental funds, including \$20.4 million for highways and streets and 0.1 million on public transit implemented by local jurisdictions.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2008, 2007 and 2006, the Authority had invested \$4.1 million in capital assets, including property and furniture and equipment (see Table A-3).

**Table A-3**  
**The Alameda County Transportation Authority**  
**Capital Assets (net of depreciation)**  
**June 30, 2008, 2007 and 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Land	\$ 4,068,000	\$ 4,068,000	\$ 4,068,000
Furniture and equipment (net of accumulated depreciation)	32,134	40,899	12,337
<b>Total</b>	<u>\$ 4,100,134</u>	<u>\$ 4,108,899</u>	<u>\$ 4,080,337</u>

### Long-Term Debt

As of June 30, 2008, 2007 and 2006, the Authority had no outstanding debt.

### COMPARISON OF BUDGETED TO ACTUAL:

Prior to the start of each fiscal year, the Authority adopts a budget for the fiscal year. This budget may be modified at quarterly intervals resulting in subsequent legally adopted budget. These modifications are made to adjust revenues that change due to the economic climate and adjust expenses to the changes in revenues or capital project costs.

The final revenue budget for the Authority was \$10.6 million; the actual revenue was \$16.2 million. The variance is due to the investment income exceeding budget estimates.

The final budget anticipated expenditures of \$25.9 million. Actual expenditures were \$20.2 million and the variance was due to lower expenditures on capital projects.

### ECONOMIC FACTORS AND FUTURE PROJECTIONS

As the sales tax collection period ended in 2002, the Authority relies on the cash and investment balance, interest earnings on its investment balance and commitments from federal, state and local sources for the completion of the remaining projects. The improvement in interest rate has had a positive impact on the Authority's ability to complete the remaining projects. In the future, significant changes to the interest rates, project commitment levels and project cost overruns are likely to impact the Authority's ability to complete the remaining projects.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning information provided in this report or requests for additional financial information should be addressed to Christine Monsen or Anees Azad of the Alameda County Transportation Authority at 1333 Broadway, Suite 300, Oakland, California, CA 94610.

ALAMEDA COUNTY TRANSPORTATION AUTHORITY

GOVERNMENTAL FUNDS - BALANCE SHEET / STATEMENT OF NET ASSETS  
 JUNE 30, 2008  
 (WITH COMPARATIVE TOTAL FOR 2007)

Assets	General	Capital projects	Special revenue	Total	Adjustments	Statement of Net Assets	2007 Total
Cash and investments	\$ -	\$ 222,969,614	\$ 2	\$ 222,969,616	\$ -	\$ 222,969,616	\$ 225,670,572
Receivables	-	-	-	-	-	-	-
Accrued interest	-	97,622	-	97,622	-	97,622	284,479
Other	-	62,029	-	62,029	-	62,029	2,754,939
Government agencies	-	1,580,291	-	1,580,291	-	1,580,291	2,160,569
Capital assets (net of accumulated depreciation)	-	-	-	-	-	-	-
Land	-	-	-	- <sup>(1)</sup>	4,068,000	4,068,000	4,068,000
Furniture and equipment	-	-	-	- <sup>(1)</sup>	32,134	32,134	40,899
Other	-	38,005	-	38,005	-	38,005	22,659
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 224,747,561</b>	<b>\$ 2</b>	<b>\$ 224,747,563</b>	<b>4,100,134</b>	<b>228,847,697</b>	<b>235,002,117</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ -	\$ 1,515,252	\$ -	\$ 1,515,252	\$ -	\$ 1,515,252	\$ 3,582,499
Other liabilities	-	116,298	-	116,298	-	116,298	178,572
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 1,631,550</b>	<b>\$ -</b>	<b>\$ 1,631,550</b>	<b>\$ -</b>	<b>\$ 1,631,550</b>	<b>\$ 3,761,071</b>
Fund balances:							
Reserves for:							
Highway and streets	-	223,116,011	2	223,116,013	(223,116,013)		
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ 223,116,011</b>	<b>\$ 2</b>	<b>\$ 223,116,013</b>	<b>(223,116,013)</b>		
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 224,747,561</b>	<b>\$ 2</b>	<b>\$ 224,747,563</b>	<b>\$ -</b>	<b>\$ 227,216,147</b>	<b>\$ 231,241,046</b>
<b>Net Assets:</b>							
Invested in capital assets					4,100,134	4,100,134	4,108,899
Unrestricted					223,116,013	223,116,013	227,132,147
<b>Total net assets</b>					<b>\$ 227,216,147</b>	<b>\$ 227,216,147</b>	<b>\$ 231,241,046</b>

(1) Amounts reported for governmental activities in the statement of net assets are different because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

The accompanying notes are an integral part of these financial statements.

ALAMEDA COUNTY TRANSPORTATION AUTHORITY

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE / STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 (WITH COMPARATIVE TOTALS FOR 2007)

	General	Capital projects	Special revenue	Total	Adjustments	Statement of Activities	2007 Totals
Revenues:							
Sales tax	\$ -	\$ 446,194	\$ 210,280	\$ 656,474	\$ -	\$ 656,474	\$ 139,559
Investment income	-	14,910,354	-	14,910,354	-	14,910,354	11,847,347
Local matching funds	-	562,901	-	562,901	-	562,901	4,389,911
Property sublease	-	23,950	-	23,950	-	23,950	21,300
Other income	-	-	-	-	-	-	167
Total revenues	-	15,943,399	210,280	16,153,679	-	16,153,679	16,398,284
Expenditures/expenses:							
Current:							
Administration	-	1,453,686	-	1,453,686	8,765	1,462,451	-
Highways and Streets	-	18,505,847	124,073	18,629,920	-	18,629,920	12,093,331
Public transit	-	-	86,207	86,207	-	86,207	18,325
Total expenditures/expenses	-	19,959,533	210,280	20,169,813	8,765	20,178,578	12,111,656
Excess (Deficiency) of revenues over expenditures	-	(4,016,134)	-	(4,016,134)	(8,765)	(4,024,899)	4,286,628
Net change in fund balances/net assets	-	(4,016,134)	-	(4,016,134)	(8,765)	(4,024,899)	4,286,628
Fund balances \ net assets:							
Beginning of year	-	227,132,145	2	227,132,147	4,108,899	231,241,046	226,954,418
End of year	\$ -	\$ 223,116,011	\$ 2	\$ 223,116,013	\$ 4,100,134	\$ 227,216,147	\$ 231,241,046

(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The accompanying notes are an integral part of these financial statements.

# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### (1) Summary of Significant Accounting Policies

#### *a. Reporting Entity*

The Alameda County Transportation Authority (ACTA) was created by the approval of Measure B by Alameda County, California (the County) voters in November 1986. Measure B authorized the imposition of a one-half of one percent sales and use tax (the sales tax) in the County, the proceeds of which are principally reserved for highway improvements, local transportation improvements, and transit funding (collectively, the programs) in the County. The sales tax commenced April 1, 1987 and expired on March 31, 2002.

ACTA is responsible for completing all of the projects in the expenditure plan adopted by voters, or to delegate this responsibility. Revenues from interest on the fund balance are estimated to cover all future administrative costs. It is anticipated that ACTA will continue operations beyond June 30, 2008.

The basic financial statements of ACTA include all of its financial activities. ACTA is the sole independent Authority responsible for receiving and allocating funds from the 1986 Measure B necessary to complete the program and is governed by a nine-member board of elected officials from the County and local sites.

#### *b. Government-Wide and Fund Financial Statements*

The fund financial statements (i.e., balance sheet and statement of governmental fund revenues, expenditures, and changes in fund balance) and government-wide financial statements (i.e., statement of net assets and the statement of activities) have been combined, as prescribed in Governmental Accounting Standards Board (GASB) statement number 34, as it applies to special purpose entities. The Authority meets the definition of a special purpose entity. These statements report information on all of the non-fiduciary activities of ACTA.

#### *c. Measurement Focus, Basics of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economics measurement focus and accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales tax revenues are recorded when the tax is due from the State Board of Equalization. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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 period. For this purpose, ACTA considers revenues 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. However, expenditures related to compensated absences are recorded only when payment is due.



# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### (1) Summary of Significant Accounting Policies (Continued)

#### *c. Measurement Focus, Basics of Accounting, and Financial Statement Presentation (Continued)*

Sales taxes, local matching revenue, and investment income (including the change in the fair value of investments) 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 using the modified accrual basis of accounting as described above.

ACTA reports the following major governmental funds:

The *general fund* accounts for all financial resources of ACTA, except those required to be accounted for in another fund. Revenues in excess of expenditures in any one year are transferred to the capital projects fund by year end. The general fund shows no activity for the current year as the status of the Agency provides that only the capital project and special revenue funds have activity.

The *capital projects fund* is the primary operating fund, which accounts for resources accumulated and payments made for the acquisition or construction of major capital improvements in accordance with the Alameda County Transportation Authority Expenditure Plan. ACTA does not retain ownership of these improvements.

The *special revenue fund* accounts for resources accumulated as required by Measure B for allocation to local cities of major capital improvements in accordance with the County for local transportation improvements, including streets and roads, and to transit agencies for operations and maintenance.

The effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted resources are available for use, it is ACTA's policy to use restricted resources first, then unrestricted resources as they are needed.

#### *d. Budgetary Data*

Following a public meeting, ACTA adopts an annual budget for all governmental fund types to be effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the program level, the amounts stated therein as proposed expenditures become appropriations to the various programs. Once a quarter, ACTA approves all transfers between expenditure objects and overall budget modifications during the year. For the capital projects fund, ACTA approves reimbursements to the project sponsors, and reimbursements are not to exceed contract limits. Annual budgets are adopted on a basis consistent with accounting principles, generally accepted in the United States of America.

#### *e. Deposits and Investments*

ACTA's cash and investments are maintained in custodial investment accounts managed by independent investment advisors, and with the California State Treasurers. ACTA generally holds investments until maturity. All cash and investments of ACTA are restricted as to their use as specified in the State government code.

# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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*e. Deposits and Investments (Continued)*

ACTA's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2008 and reflects the values as if ACTA were to liquidate the securities on that date. Money market investments are valued at amortized cost, which approximates market value.

*f. Capital Assets*

Capital assets, which include land and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by ACTA as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets of ACTA are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office Furniture and Equipment	5
Computer Equipment	3
Leasehold Improvements	5

*g. Compensated Absences*

ACTA has either paid or transferred all its liability related to employees, including benefits, to the Alameda County Transportation Improvement Authority (ACTIA), as of June 30, 2008. It was ACTA's, and now ACTIA's, policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Unused vacation and sick leave may be accumulated up to a specific maximum. Neither ACTA nor ACTIA are obligated to pay for unused sick leave if an employee terminates employment prior to retirement or prior to when ACTA or ACTIA cease operations.

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### (1) Summary of Significant Accounting Policies (Continued)

#### *h. Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

#### *i. Fund Equity*

In the fund financial statements, governmental funds report reservations of balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

#### *j. Interfund Transfers*

Interfund transfers are generally recorded as transfers in (out) except for reimbursement for services performed, which are recorded as a reduction of expenditures in the performing fund and expenditures of the receiving fund.

#### *k. Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### (2) Deposits and Investments

#### Summary of Deposits and Investments

Deposits and Investments as of June 30, 2008, consists of the following:

Cash on hand and in banks	\$	1,232,088
Investments		221,737,528
Total Deposits and Investments	\$	<u>222,969,616</u>

#### Policies and Practices

ACTA is authorized under California Government Code, or the Entity's investment policy if different, to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**ALAMEDA COUNTY TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**(2) Deposits and Investments (Continued)**

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	10%	5%
Registered State Bonds, Notes, Warrants	5 years	10%	5%
U.S. Treasury Obligations	5 years	None	None
U.S Agency Securities	5 years	None	35%
Banker's Acceptance	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	3 years	30%	5%
Repurchase Agreements	90 days	20%	None
Medium-Term Notes	5 years	30%	5%
Money Markets	N/A	20%	5%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Policy also dictates that a maximum of 5% of total portfolio can be deposited with the California Asset Management Program (CAMP)

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. ACTA manages its exposure to interest rate risk 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

# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### (2) Deposits and Investments (Continued)

#### Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of ACTA's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of ACTA's investment by maturity:

Investment Type	Fair Value	Maturity
Corporate Note	\$ 42,786,097	November 2008 - February 2012
Federal Agency Bonds/Notes	132,544,091	August 2008 - May 2012
U.S. Treasury Bonds/Notes	27,506,664	August 2009 - May 2013
Money Market\Mutual Funds	257,652	1-2 Days
Commercial Paper	3,569,163	July 2008 - August 2008
LAIF	15,171,484	212 Days
Total Securities	\$ 221,835,151	

#### 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. Presented below is the minimum rating required by the California Government Code, ACTA's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Not Required To Be Rated	Rating as of Year End					
				AAA	AA	A	AA+	AA-	A-1+
U.S. Treasuries	\$ 27,506,664	N/A	\$ 27,506,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Agency Bonds/Notes	132,544,091	AAA	-	132,544,091	-	-	-	-	-
Money Market \ Mutual Funds	257,652	AAA	-	257,652	-	-	-	-	-
LAIF	15,171,484	N/A	15,171,484	-	-	-	-	-	-
Commercial Paper	3,569,163	A-1+	-	-	-	-	-	-	3,569,163
Corporate Note	42,786,097	AA	-	10,175,631	12,002,210	4,883,918	5,611,804	10,112,534	-
Total	\$ 221,835,151		\$ 42,678,148	\$ 142,977,374	\$ 12,002,210	\$ 4,883,918	\$ 5,611,804	\$ 10,112,534	\$ 3,569,163

#### Concentration of Credit Risk

The investment policy of ACTA contains limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. Investments in any one issuer (other than U.S Treasury securities, mutual funds and external investment pools) that represent five percent (5%) or more of the total investments are as follows:

# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### (2) Deposits and Investments (Continued)

#### Concentration of Credit Risk (Continued)

Issuer	Investment Type	Amount
FHLB	Federal Agency Securities	\$ 40,578,982
FHLMC	Federal Agency Securities	40,578,982
FNMA	Federal Agency Securities	43,516,301
Total		<u>\$ 124,674,264</u>

#### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, ACTA's deposits may not be returned to it. ACTA's policy, as well as the California Government Code, requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2008, ACTA's bank balance of \$1,231,924 is collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the ACTA.

#### Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, ACTA will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. It is ACTA's policy that all securities held, be secured through third-party custody and safekeeping.

**Investment in the State Investment Pool** - ACTA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of ACTA's investment in the pool is reported in the accompanying financial statement at amounts based upon ACTA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

**ALAMEDA COUNTY TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

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**(3) Capital Assets**

*a. Capital Assets - Governmental Activities*

A summary of changes in capital assets recorded governmental activities follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Capital assets not being depreciated				
Land	\$ 4,068,000	\$ -	\$ -	\$ 4,068,000
<b>Total capital assets not being depreciated</b>	<u>4,068,000</u>	<u>-</u>	<u>-</u>	<u>4,068,000</u>
Capital assets being depreciated:				
Furniture, equipment and leasehold improvements	54,813	-	-	54,813
<b>Total capital assets being depreciated</b>	<u>54,813</u>	<u>-</u>	<u>-</u>	<u>54,813</u>
Less accumulated depreciation for:				
Furniture, equipment and leasehold improvements	13,914	8,765	-	22,679
Total capital assets being depreciated, net	<u>40,899</u>	<u>(8,765)</u>	<u>-</u>	<u>32,134</u>
Governmental activities capital assets, net	<u>\$ 4,108,899</u>	<u>\$ (8,765)</u>	<u>\$ -</u>	<u>\$ 4,100,134</u>

*b. Depreciation Expense*

Depreciation expense of \$8,765 is reflected under the highways and streets function of ACTA.

**(4) Interfund Transfers**

There were no inter-fund transfers in the current fiscal year.

# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### (5) Commitments and Contingent Liabilities

#### *a. Agreements with Engineering Firms*

ACTA has entered into contracts with various private engineering firms and other agencies to provide scoping/planning, engineering, environmental, design, right of way engineering and acquisition, construction and constructions management services. As of June 30, 2008, the total outstanding commitments (not paid or accrued) are \$4.57 million. The terms range from June 30, 2008 for one year (or acceptance of the phase of work, whichever is earlier).

#### *b. Agreements with Project Sponsors*

ACTA has entered into contracts with various project sponsors to provide scoping/planning, engineering, environmental, design, right of way engineering and acquisition, construction, and construction management services. As of June 30, 2008, the total outstanding commitments (not paid or accrued) are \$22.22 million. The terms range from June 30, 2008 for four and one half years (or acceptance of the phase of work, whichever is earlier).

#### *c. Insurance, Claims and Litigation*

ACTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disaster. ACTA has purchased commercial insurance coverage for general liability, workers' compensation, employee and automobile liability, fidelity, and property coverage. The amount of settlements during the year ended June 30, 2008 did not exceed insurance coverage.

#### *d. Federal Grants*

ACTA participates in federal grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs have not yet been completed. Accordingly, ACTA's compliance with applicable grant requirements will be established at some future date. The amounts, if any of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. Management believes that disallowances, if any, would not have a material effect on the financial statements.

### (6) Related Party Transaction

Under an administrative cost-sharing agreement, ACTIA and ACTA share costs of follows:

<u>Type of Expenses</u>	<u>ACTA's Share</u>	<u>ACTIA's Share</u>
Office expenses, office rental, and parking	1/3	2/3
Office equipment and improvements	1/3	2/3
Legislation advocacy	1/2	1/2

During the year ended June 30, 2008, ACTIA paid \$1,453,926 for administrative costs on behalf of ACTA. As of June 30, 2008, \$116,298 is payable to ACTIA. This amount is included in the payable to other governmental total on the statement of net assets and balance sheet.



***Required Supplementary Information***

**ALAMEDA COUNTY TRANSPORTATION AUTHORITY**

**SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**

**BALANCES – BUDGET TO ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Sales tax	\$ -	\$ 194,500	\$ 210,280	\$ 15,780
Total revenues	-	194,500	210,280	15,780
Expenditures:				
Current:				
Highway and street	-	185,300	124,073	61,227
Public transit	-	9,200	86,207	(77,007)
Total expenditures	-	194,500	210,280	(15,780)
Excess (deficiency) of expenditures over revenues	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ -	\$ -



**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 ACCOUNTING STANDARDS***

The Governing Board of the  
Alameda County Transportation Agency  
Oakland, California

We have audited the financial statements of the governmental activities and each major fund of the Alameda County Transportation Authority (ACTA) as of and for the year ended June 30, 2008, which collectively comprise the ACTA's basic financial statements and have issued our report hereon dated October 20, 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 ACTA'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 ACTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACTA'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 Agency'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 Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency'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 Agency'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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ACTA's financial statements are free of material misstatement, we performed test 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*.

This report is intended solely for the information and use of the governing board, finance committee, management, citizens watchdog committee, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Varrmek, Trine, Day & Co. L.L.P.

Pleasanton, California  
October 20, 2008