

**ALAMEDA COUNTY TRANSPORTATION AUTHORITY**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**PREPARED BY THE**  
**FINANCE AND ADMINISTRATION**  
**DEPARTMENT**

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ALAMEDA COUNTY TRANSPORTATION AUTHORITY

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JUNE 30, 2010

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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, 2010, which collectively comprise ACTA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 ACTA's June 30, 2009, financial statements which were audited by other auditors whose unqualified opinion was dated October 26, 2009.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 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.

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, 2010, and the respective changes in the financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2, ACTA Board passed a resolution which transferred all assets, liabilities, and responsibilities to ACTIA, effective on July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010 on our consideration of the ACTA'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.

The required supplementary information, such as the Management's Discussion and Analysis, and the budgetary comparison for Special Revenue Fund is not a required part of the basic financial statements but is supplementary information required by the 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 required supplementary information. However, we did not audit the information and express no opinion on it.

*Ware & Associates*

September 15, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**A**s 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, 2010 (FYE 2010). 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 2010 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 \$189.2 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 have 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 2010, the Authority posted revenues of \$8.1 million, primarily from interest on investments. ACTA's total expenditures for FYE 2010 were \$30.9 million. A total of \$30.1 million and \$20.2 million were expended in FYE 2009 and FYE 2008, respectively.

Of note is the remaining fund balance of \$185.2 million at the close FYE 2010 (compared to \$208.0 million at the end of last fiscal year). These funds are assets restricted for the completion of the remaining projects in the 1986 Expenditure Plan approved by voters, or as amended.

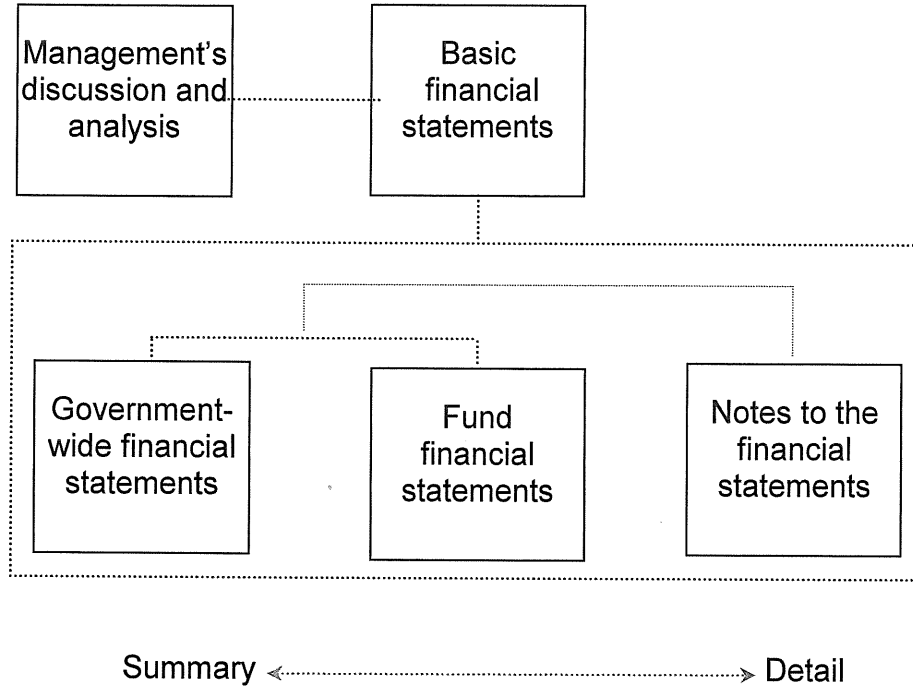
On June 2010, the ACTA Board adopted a resolution that transfers all of ACTA's assets, responsibilities, functions and liabilities to ACTIA to be effective on July 1, 2010. The ACTA Board also adopted the resolution that ACTA be dissolved, terminated and extinguished effective July 1, 2010, following the transfer. Effective July 1, 2010, ACTA transferred to ACTIA net assets in the amount of \$189,243,754.

### 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. 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

**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**

	Government-Wide Statements	Governmental Funds
<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

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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 2010, were \$8.1 million, of which \$2.3 million were from capital grants, \$5.8 million was from operating grants/interest. The Authority's total revenues for FYE 2009 were \$14.9 million, of which \$2.5 million were from capital grants, \$12.4 million was from operating grants/interest and \$5 thousand were from residual sales tax receipts. The Authority's total revenues for 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 (see Table A-1 and Figure A-3).

The total expenses for the Authority in the current year, FYE 2010, were \$30.9 million, which was primarily for Highways and Streets. The total expenses for FYE 2009 were \$30.1 million, which was primarily for Highways and Streets. The total expenses for the Authority in FYE 2008 were \$20.2 million, which was primarily for Highways and Streets (see Table A-1 and Figure A-4).

In the current year, FYE 2010, expenses exceeded revenues by \$22.8 million, resulting in net assets of \$189.2 million at year-end. In FYE 2009, expenses exceeded revenues by \$15.1 million, resulting in net assets of \$212.1 million at year-end. In FYE 2008, expenses exceeded revenues by \$4.0 million, resulting in net assets of \$227.2 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, 2010, 2009 and 2008

	<b>Governmental Activities</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>			
<b>Program revenues:</b>			
Investment Income	\$ 5,840,620	\$ 12,425,608	\$ 14,910,354
Capital grants and contributions	2,243,845	2,501,241	562,901
<b>General revenues:</b>			
Sales taxes	-	5,150	656,474
Other	-	-	23,950
<b>Total revenues</b>	<b>8,084,465</b>	<b>14,931,999</b>	<b>16,153,679</b>
<b>Expenses</b>			
Highway and Streets	29,423,768	28,418,996	20,092,371
Administration	1,504,634	1,641,149	
Public Transit	-	309	86,207
<b>Total expenses</b>	<b>30,928,402</b>	<b>30,060,454</b>	<b>20,178,578</b>
<b>Change in Net Assets</b>	<b>(22,843,937)</b>	<b>(15,128,455)</b>	<b>(4,024,899)</b>
Fund Balance Adjustment	-	-	-
Net assets (deficit), beginning of year	212,087,691	227,216,147	231,241,046
<b>Net assets (deficit), end of year</b>	<b>\$ 189,243,754</b>	<b>\$ 212,087,692</b>	<b>\$ 227,216,147</b>

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Figure A-3  
The Alameda County Transportation Authority  
Sources of Revenue for the Year Ended June 30, 2010

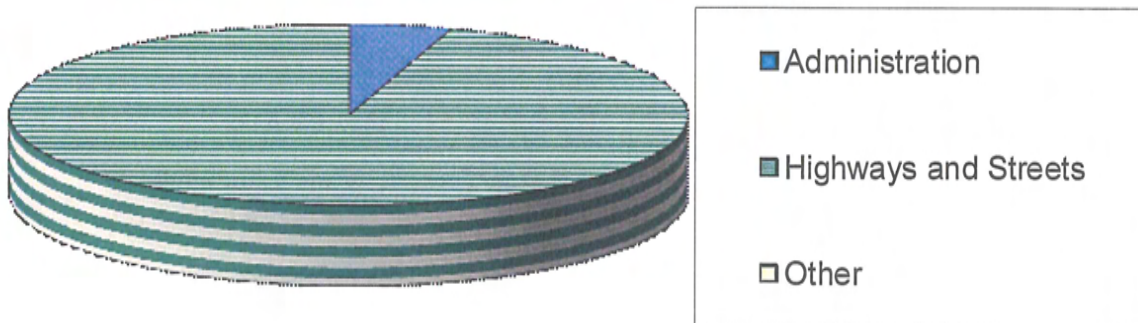
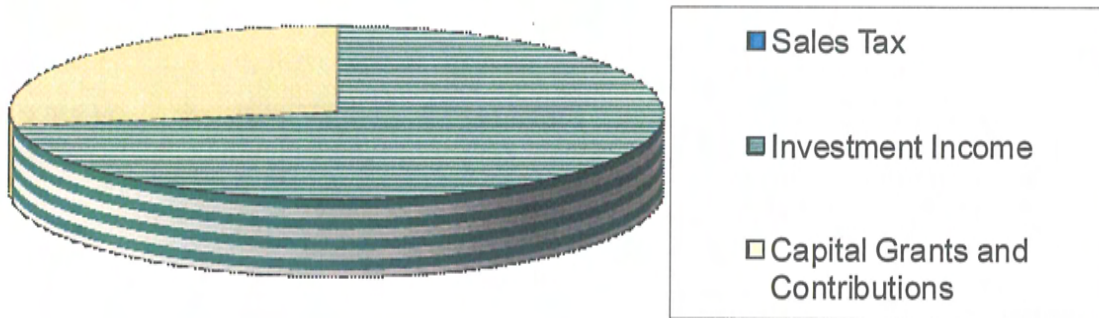


Figure A-4  
The Alameda County Transportation Authority  
Functional Expenses for the Year Ended June 30, 2010

**Net Assets:** The total assets of the Authority at June 30, 2010 (current year) were \$191.9 million, of which \$186.5 was from cash and investments. Of the total net assets, \$4.1 million is invested in capital assets, and \$185.2 is restricted for highways and streets. The total assets of the Authority at June 30, 2009 (prior year) were \$218 million, of which \$212.8 was from cash and investments. Of the total net assets, \$4.1 million is invested in capital assets, and \$204 million is restricted for highways and streets. The total assets of the Authority at June 30, 2008 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 (see Table A-2).

Table A-2  
The Alameda County Transportation Authority  
Net Assets  
June 30, 2010, 2009 and 2008

	<b>Governmental Activities</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Cash and Investments	\$ 186,487,031	\$ 212,777,522	\$ 222,969,616
Receivables			
Accrued interest	28,377	38,452	97,622
Other governments	1,242,421	1,037,758	1,580,291
Other			62,029
Capital assets (net of accumulated depreciation)			
Land	4,068,000	4,068,000	4,068,000
Furniture and equipment	17,770	23,511	32,134
Other Assets	13,996	6,538	38,005
<b>Total assets</b>	<b>\$ 191,857,595</b>	<b>\$ 217,951,781</b>	<b>\$ 228,847,697</b>
Accounts payable	\$ 1,328,427	\$ 5,757,617	\$ 1,515,252
Payable to other government	1,285,414	106,472	116,298
Other	-	-	-
Noncurrent liabilities	-	-	-
<b>Total liabilities</b>	<b>2,613,841</b>	<b>5,864,089</b>	<b>1,631,550</b>
Net assets:			
Invested in capital assets	4,085,770	4,091,511	4,100,134
For:			
Highway and streets	185,157,984	207,996,181	223,116,013
<b>Total net assets</b>	<b>189,243,754</b>	<b>212,087,692</b>	<b>227,216,147</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 191,857,595</b>	<b>\$ 217,951,781</b>	<b>\$ 228,847,697</b>

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## **1 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, 2010 (current year) were \$189.2 million, of which \$186.5 million was from cash and investments. The total net assets of the Authority at June 30, 2009 (prior year) were \$212.1 million, of which \$212.8 million was from cash and investments. The total net assets of the Authority at June 30, 2008 were \$227.2 million, of which \$223.0 million was from cash and investments.

At the end of FYE 2010 (current year), the Authority's liabilities were \$2.6 million, of which \$1.3 million is for accounts payable related to the capital projects fund and the balance is other liabilities. At the end of FYE 2009 (prior year), the Authority's liabilities were \$5.8 million, of which all is for accounts payable related to the capital projects fund and the balance is other liabilities. At the end of FYE 2008, the Authority's liabilities were \$1.6 million, of which nearly all is for accounts payable related to the capital projects fund.

Of the fund balances at the end of FYE 2010, \$185.2 million is reserved for Highways and Streets, for both capital projects and general administration. Of the fund balances at the end of FYE 2009, \$208 million was reserved for Highways and Streets, for both capital projects and general administration. Of the fund balances at the end of FYE 2008, \$223.1 million was reserved for Highways and Streets, for both capital projects and general administration.

In FYE 2010 (current year), the Authority had revenues of \$8.1 million, including \$5.8 million from investment income, and \$2.2 million from local matching funds. During the year, the Authority expended \$30.9 million through the governmental funds, mostly for highways and streets. In FYE 2009 (prior year), the Authority had revenues of \$14.9 million, including \$5 thousand from the sales tax, \$12.4 million from investment income, and \$2.5 million from local matching funds. During the year, the Authority expended \$30.1 million through the governmental funds, mostly for highways and streets. In FYE 2008, 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.

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## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2010, 2009 and 2008, 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, 2010, 2009 and 2008

	2010	2009	2008
Land	\$ 4,068,000	\$ 4,068,000	\$ 4,068,000
Furniture and equipment (net of accumulated depreciation)	17,770	23,511	32,134
<b>Total</b>	<b>\$ 4,085,770</b>	<b>\$ 4,091,511</b>	<b>\$ 4,108,899</b>

### Long-Term Debt

As of June 30, 2010, 2009 and 2008, 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 \$7.3 million; the actual revenue was \$8.1 million. The variance is due to the investment income exceeding budget estimates.

The final budget anticipated expenditures of \$25.2 million. Actual expenditures were \$30.9 million and the variance was due to the timing of the expenditures on board authorized 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 Arthur L. Dao 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, 2010  
(WITH SUMMARIZED COMPARATIVE AMOUNTS FOR JUNE 30, 2009)**

	Capital Projects	Total	Statement of Net Assets	
			2010 Total	2009 Total
<b>Assets</b>				
Cash and investments				
Receivables	\$186,487,031	\$186,487,031	\$186,487,031	\$212,777,522
Accrued interest	28,377	28,377	28,377	38,452
Other	1,242,421	1,242,421	1,242,421	60,469
Government agencies				977,289
Capital assets				
Land				
Furniture and equipment (net of accumulated depreciation)		(1)	\$4,068,000	4,068,000
Other	13,996	13,996	17,770	23,511
			13,996	6,538
<b>Total assets</b>	<u>\$187,771,825</u>	<u>\$187,771,825</u>	<u>191,857,595</u>	<u>217,951,781</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$1,328,427	\$1,328,427	1,328,427	5,757,617
Payable to other government agencies	1,285,414	1,285,414	1,285,414	106,472
<b>Total liabilities</b>	<u>2,613,841</u>	<u>2,613,841</u>	<u>2,613,841</u>	<u>5,864,089</u>
Fund balances:				
Reserves for:				
Highway and streets	185,157,984	185,157,984	(185,157,984)	
<b>Total fund balances</b>	<u>185,157,984</u>	<u>185,157,984</u>	<u>(185,157,984)</u>	
<b>Total liabilities and fund balances</b>	<u>\$187,771,825</u>	<u>\$187,771,825</u>	<u>\$189,243,754</u>	<u>\$212,087,692</u>
<b>Net Assets:</b>				
Invested in capital assets			4,085,770	4,091,511
Restricted			185,157,984	207,996,181
<b>Total net assets</b>			<u>\$189,243,754</u>	<u>\$212,087,692</u>

(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.

See accompanying notes to 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, 2010  
(WITH SUMMARIZED COMPARATIVE AMOUNTS FOR JUNE 30, 2009)**

	Capital Projects	Total	Adjustments	Statement of Activities	
				2010 Total	2009 Total
Revenues:					
Sales tax					\$5,150
Investment income	\$5,840,620	\$5,840,620		\$5,840,620	12,425,608
Local matching funds	2,243,845	2,243,845		2,243,845	2,501,241
Total revenues	8,084,465	8,084,465		8,084,465	14,931,999
Expenditures\expenses:					
Current:					
Administration	1,498,893	1,498,893	(1)	\$5,741	1,641,149
Highways and Streets	29,423,768	29,423,768		29,423,768	28,418,996
Public transit					309
Total expenditures\expenses	30,922,661	30,922,661	5,741	30,928,402	30,060,454
Excess (Deficiency) of revenues over expenditures	(22,838,196)	(22,838,196)	(5,741)	(22,843,937)	(15,128,455)
Net change in fund balances\net assets	(22,838,196)	(22,838,196)	(5,741)	(22,843,937)	(15,128,455)
Beginning of year	207,996,180	207,996,180	4,091,511	212,087,691	227,216,147
End of year	\$185,157,984	\$185,157,984	\$4,085,770	\$189,243,754	\$212,087,692

(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 depreciation exceeded capital outlays in the current period.

See accompanying notes to financial statements

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# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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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.

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 was governed by a nine-member board of elected officials from the County and local sites. Please refer to Footnote (2) for details.

#### *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, 2010

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

#### *d. 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 fund:

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.

#### *e. 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.

#### *f. 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.

ACTA's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2010 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.

**ALAMEDA COUNTY TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

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

*g. Capital Assets*

Capital assets, which include land, leasehold improvements, 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>Years</u>
Office Furniture and Equipment	5
Computer Equipment	3
Leasehold Improvements	5

*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. ACTA does not have any long-term liabilities.

*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.

# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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**(2) Creation of Alameda County Transportation Commission (Alameda CTC) and Termination of ACTA on July 1, 2010**

On March 25, 2010, ACTIA, the Alameda County Congestion Management Agency (ACCMA), the County of Alameda, the fourteen cities within Alameda County, the Bay Area Rapid Transit District and the Alameda-Contra Costa Transit District entered into a Joint Powers Agreement (JPA). On June 24, 2010, the Boards of ACTIA and ACCMA gave the final approval which created a joint powers agency, pursuant to the California Joint Exercise of Powers Act, known as the Alameda County Transportation Commission (Alameda CTC).

The Alameda CTC is the successor agency of ACCMA, ACTIA and ACTA, and has all the functions and responsibilities of such agencies along with certain additional powers as described in the JPA.

ACTA Board had determined that ACTA be terminated upon the formation of the Alameda CTC, and that all assets, functions and responsibilities, including but not limited to ACTA's existing contracts and agreements, be transferred and assigned to ACTIA, and thereafter transferred and assigned to the Alameda CTC upon the establishment by Alameda CTC of such accounts and administrative capabilities as may be required to accept such transfer and assignment.

On June 24, 2010, the ACTA Board adopted the resolution that for financial transaction and accounting purposes, the transfer of ACTA's assets, responsibilities and liabilities to ACTIA to be effective on July 1, 2010. The ACTA Board also adopted the resolution that ACTA be dissolved, terminated and extinguished effective as of the date of closing of the transfer of ACTA's assets, functions and responsibilities to ACTIA, which was July 1, 2010. All known debts, liabilities and other obligations of ACTA were assumed by ACTIA on July 1, 2010 and thereafter would be assumed by the Alameda CTC.

Effective on July 1, 2010, ACTA transferred to ACTIA all remaining net assets in the amount of \$189,243,755.

**(3) Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and Investments as of June 30, 2010, consists of the following:

Cash and cash equivalents	\$53,612
Investments	186,433,420
	<u>\$186,487,032</u>

# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### (3) Deposits and Investments (Continued)

#### Policies and Practices

ACTA is authorized under California Government Code, or the Authority'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.

#### 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 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, 2010

(3) 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	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Agency Securities:				
Non-Callable	\$25,805,363	\$30,032,314	\$41,462,723	\$97,300,400
Callable		2,253,825		2,253,825
U.S. Treasury Bonds	13,789,695	15,485,011	1,315,821	30,590,527
Corporate Notes	5,436,405	26,129,799	6,640,804	38,207,008
Money Market Mutual Funds	223,210			223,210
California Local Agency Investment Fund	17,858,450			17,858,450
Total Investments	63,113,123	73,900,949	49,419,348	186,433,420
Cash in Bank	53,612			53,612
Total Cash and Investments	\$63,166,735	\$73,900,949	\$49,419,348	\$186,487,032

The Authority is a 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 Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2010, these investments matured in an average of 203 days.



**ALAMEDA COUNTY TRANSPORTATION AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**(3) Deposits and Investments (Continued)**

**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, per Moody's, as of the year-end for each investment type.

Investment Type	Aaa	Aa2	A1	Not Rated	Total
U.S. Agency Securities:					
Non-Callable	\$97,300,400				\$97,300,400
Callable	2,253,825				2,253,825
U.S. Treasury Bonds				\$30,590,527	30,590,527
Corporate Notes	31,231,310	\$3,841,208	\$3,134,490		38,207,008
Money Market Mutual Funds	223,210				223,210
California Local Agency Investment Fund				17,858,450	17,858,450
Totals Investments	131,008,745	3,841,208	3,134,490	48,448,977	186,433,420
Cash in Bank	53,612				53,612
Total Cash and Investments	\$131,062,357	\$3,841,208	\$3,134,490	\$48,448,977	\$186,487,032

**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:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency Securities	\$23,640,197
Federal Home Loan Mortgage Corp	Federal Agency Securities	38,515,665
Federal National Mortgage Assoc	Federal Agency Securities	12,063,676

# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### (3) Deposits and Investments (Continued)

#### **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, 2010, ACTA's bank balance with a reported balance of \$53,612 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, 2010**

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**(4) Capital Assets**

*a. Capital Assets - Governmental Activities*

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

	Balance at June 30, 2009	Additions	Balance at June 30, 2010
Capital assets not being depreciated			
Land	\$4,068,000		\$4,068,000
Total capital assets not being depreciated	<u>4,068,000</u>		<u>4,068,000</u>
Capital assets being depreciated:			
Furniture, equipment and leasehold improvements	54,813	\$2,192	57,005
Total capital assets being depreciated	<u>54,813</u>	<u>2,192</u>	<u>57,005</u>
Accumulated depreciation:			
Furniture, equipment and leasehold improvements	(31,302)	(7,933)	(39,235)
Total capital assets being depreciated, net	<u>23,511</u>	<u>(5,741)</u>	<u>17,770</u>
Governmental activities capital assets, net	<u>\$4,091,511</u>	<u>(\$5,741)</u>	<u>\$4,085,770</u>

*b. Depreciation Expense*

Depreciation expense of \$7,933 is reflected under the administration function of ACTA.

**(5) Interfund Transfers**

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

ALAMEDA COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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(6) 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, 2010, the total outstanding commitments (not paid or accrued) are \$12.5 million. The terms range from June 30, 2010 to 4 years (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, 2010, the total outstanding commitments (not paid or accrued) are \$51.0 million. The terms range from June 30, 2010 to 3 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. Settlements have not exceeded insurance coverage in the past three years.

<u>Type of Claim</u>	<u>Coverage Limits</u>	<u>Deductible</u>
Property	\$200,000	\$1,000
General Liability	2,000,000	1,000
Automobile	1,000,000	
Excess Liability	4,000,000	10,000
Commercial Crime	10,000,000	75,000
Workers' Compensation	1,000,000	

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.

# ALAMEDA COUNTY TRANSPORTATION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### (7) Related Party Transaction

During the year ended June 30, 2010, ACTIA paid \$1,456,893 for administrative costs on behalf of ACTA. As of June 30, 2010, \$1,285,414 is payable to ACTIA. This amount is included in the payable to other government agencies total on the statement of net assets and balance sheet.

ACTA is charged various administrative costs such as staff costs, rent, insurance, supplies and other miscellaneous costs. on a prorated basis. These costs are approved through the budget process and reimbursed from cash reserves.

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**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***

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

We have audited the financial statements of Alameda County Transportation Improvement Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated September 15, 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 Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Authority'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. 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.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated September 15, 2010.

This report is intended solely for the information and use of management, Governing Board, others within the Authority, and 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.

*Xlape & Associates*

September 15, 2010



**ALAMEDA COUNTY TRANSPORTATION AUTHORITY**

**MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED  
JUNE 30, 2010**

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**ALAMEDA COUNTY TRANSPORTATION AUTHORITY  
MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

**For the Year Ended June 30, 2010**

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## MEMORANDUM ON INTERNAL CONTROL

To the Governing Board of  
the Alameda County Transportation Authority (Authority)  
Oakland, California

In planning and performing our audit of the financial statements of the Alameda County Transportation Authority (Authority) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe to be of potential benefit to the Authority.

The Authority's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, Governing Board, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

*Mare & Associates*

September 15, 2010

ALAMEDA COUNTY TRANSPORTATION AUTHORITY

CURRENT YEAR SCHEDULE OF OTHER MATTERS

**2010-01: Upcoming GASB Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions (Effective for fiscal 2010/11)**

This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered **nonspendable**, such as fund balance associated with inventories. This Statement also provides for additional classification as **restricted, committed, assigned, and unassigned** based on the relative strength of the constraints that control how specific amounts can be spent.

The **restricted** fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The **committed** fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the **assigned** fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds *other than the general fund*, assigned fund balance represents the remaining amount that is not restricted or committed.

**Unassigned** fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. *In other funds*, the unassigned classification should be *used only to report a deficit balance* resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

**Management Response:**

ACTIA Management acknowledges and accepts the implications of GASB 54 in disclosing current and future fund balances. Management plans to comply with this new GASB 54 as it has with all other accounting and auditing requirements.

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## REQUIRED COMMUNICATIONS

To the Governing Board of  
the Alameda County Transportation Authority (Authority)  
Oakland, California

We have audited the financial statements of the Alameda County Transportation Authority as of and for the year ended June 30, 2010 and have issued our report thereon dated September 15, 2010. Professional standards require that we advise you of the following matters relating to our audit.

**Financial Statement Audit Assurance:** Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

**Other Information Included with the Audited Financial Statements:** Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Authority's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures are explained in our audit report.

**Accounting Policies:** Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2010.

**Unusual Transactions, Controversial or Emerging Areas:** No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- **Creation of Alameda County Transportation Commission (Alameda CTC) and Termination of ACTA effective on July 1, 2010** (Note 2 to the financial statements): On June 24, 2010, the ACTA Board adopted the resolution to transfer all of ACTA's assets, responsibilities and liabilities to ACTIA, effective July 1, 2010. All of ACTA's assets, debts, liabilities and other obligations were assumed by ACTIA on July 1, 2010 and thereafter will be assumed by the Alameda CTC.

**Estimates:** Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

- **Estimated Fair Value of Investments:** (Note 3 to the financial statements) - As of June 30, 2010, the Authority held approximately \$186 million of cash and investments as measured by fair value. Fair value is essentially market pricing in effect as of June 30, 2010. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to that date.

**Disagreements with Management:** For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Retention Issues:** We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as the Authority's auditors.

**Difficulties:** We encountered no serious difficulties in dealing with management relating to the performance of the audit.

**Audit Adjustments:** For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the Authority, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by the Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the entity's financial reporting process.

**Uncorrected Misstatements:** Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to management.

\*\*\*\*\*

This report is intended solely for the information and use of the finance committee, Governing Board, and management and is not intended to be and should not be used by anyone other than these specified parties.

*Mare & Associates*

September 15, 2010