

**ALAMEDA COUNTY TRANSPORTATION  
IMPROVEMENT  
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 IMPROVEMENT AUTHORITY

TABLE OF CONTENTS

June 30, 2010

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	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Basic Financial Statements:</b>	
Governmental Funds Balance Sheets \ Statement of Net Assets	14
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance \ Statement of Activities	15
Statement of Fiduciary Net Assets	16
Statement of Changes in Fiduciary Net Assets	17
 Notes to Financial Statements	 19
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual – General Fund	36
Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual – Special Revenue Fund	37
<b>Other Supplementary Information:</b>	
Combining Balance Sheet Schedule of Special Revenue Fund Projects and Programs	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance by Special Revenue Fund Projects and Programs	41
<b>Schedule of Direct and Indirect Expenditures</b>	42

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Alameda County Transportation Improvement Authority (ACTIA) as of and for the year ended June 30, 2010, which collectively comprise ACTIA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ACTIA'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 ACTIA'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 ACTIA as of June 30, 2010, and the respective changes in the financial position, and the respective budgetary comparisons included as part of the basic financial statements, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010 on our consideration of ACTIA'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 budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Schedule of Direct and Indirect Expenditures as listed on the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinions on it.

*Ware & Associates*

September 15, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Alameda County Transportation Improvement Authority (Authority or ACTIA), we offer readers of ACTIA's financial statements this narrative overview and analysis of the financial activities of ACTIA for the Fiscal Year Ended June 30, 2010 (FYE 2010). We encourage readers to consider the information presented here in conjunction with ACTIA's financial statements that follow this section.

ACTIA began collecting sales tax revenues on April 1, 2002. In the first two years of operation, ACTIA relied on ACTA for the financing of start-up cost and administrative infrastructure. In FYE 2006, ACTIA has repaid all start-up loans, organized its own administrative infrastructure and has emerged as a financially viable transportation authority to deliver on the commitments outlined in the Authority's 20-Year Transportation Expenditure Plan.

Since inception, ACTIA has delivered over \$881 million in transportation funding to various Alameda County projects while incurring less than 4.5% in indirect administrative costs and under 1% in indirect staff costs (as percentages of revenues). ACTIA has maintained its net assets steadily over the same duration to address future commitments.

### FINANCIAL HIGHLIGHTS

As of June 30, 2010, ACTIA has expended its net assets position from \$132 million to \$113 million in the delivery of capital projects. In prior year, FYE 2009, the Authority saw an improvement in net assets from \$127 million to \$132 million. ACTIA's overall financial position remained steady in the FYE 2010 after the precipitous 19% drop in sales tax revenues from the FYE 2007 level, due to the economic recession. On the expenditure side, recent capital projects contracts have also experienced significantly lower bids than the initial estimates, due to the recession. In the near term, due to the continued financial improvements and the recent lower cost environment for capital projects, ACTIA is expected to finance upcoming capital commitments without seeking external financing. However, in two to three years timeframe, ACTIA is likely to seek external medium-term financing for upcoming capital projects.

In FYE 2010, the Authority posted revenues of \$105.1 million, including sales tax revenues of \$ 95.6 million, which was a 7% decline from prior year. ACTIA's total expenditures for FYE 2010 were \$123.7 million, including \$6.3 million for administration, \$28.1 million for Highways and Streets, \$63.2 million for Public Transit, and \$26.1 million for Local Transportation. A total of \$107.9 million and \$111.2 million were expended in FYE 2009 and FYE 2008, respectively. The expenditures reflect the continuing development of capital projects and programs since inception in 2002.



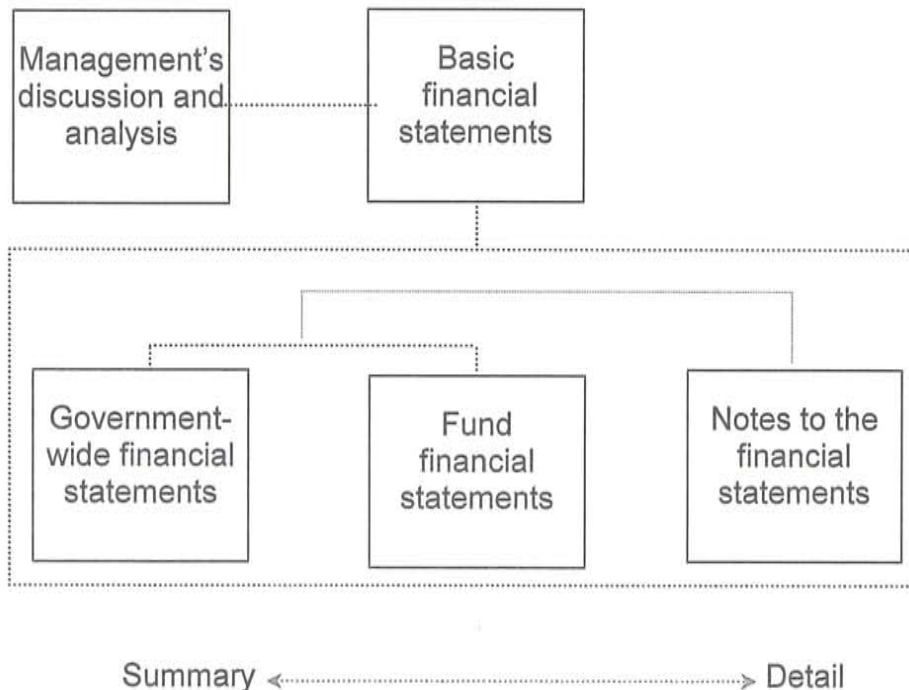
## OVERVIEW OF THE FINANCIAL STATEMENTS

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 next statements are governmental fund statements, that provide a summary of the following:
  - Balance sheet showing the assets and liabilities by governmental fund type;
  - Statement of revenues, expenditures and changes in fund balances, again by governmental fund type; (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 Improvement 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 ACTIA’s financial statements, including the portion of ACTIA 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 Improvement Authority**  
**Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Governmental Funds
<b>Scope</b>	Entire Agency	The activities of the entire Agency 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 ACTIA as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of ACTIA’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 ACTIA’s net assets and how they have changed. Net assets, the difference between ACTIA’s assets and liabilities, are one way to measure ACTIA’s financial health or position. Over time, increases or decreases in ACTIA’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

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

- Governmental activities – ACTIA’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 ACTIA’s governmental funds, not ACTIA as a whole. Funds are accounting devices that ACTIA uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The ACTIA 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 ACTIA AS A WHOLE

### Government-wide Statements

Government-wide statements include the statement of activities and the statement of net assets.

**Activities:** In FYE 2010, ACTIA posted total revenues of \$105.1 million, of which \$95.6 was from sales tax and the balance from interest and other revenue. In FYE 2009, ACTIA posted total revenues of \$113.0 million, of which \$102.5 was from sales tax and the balance from interest and other revenue. In FYE 2008, ACTIA posted total revenues of \$127.4 million, of which \$117.3 million was from sales tax and the balance from interest and other revenue (see Table A-1 and Figure A-3).

The total costs for the current year, FYE 2010, were \$123.7 million, including \$6.3 million for Administration, \$28.1 million for Highways and Streets, \$63.2 million for Public Transit, and \$26.1 million for Local Transportation. In FYE 2009, the total cost were \$107.9 million, including \$6.4 million for Administration, \$33.9 million for Highways and Streets, \$40.4 million for Public Transit, and \$27.2 million for Local Transportation. The total costs for FYE 2008, total costs were \$111.3 million, including \$5.3 million for Administration, \$31.5 million for Highways and Streets, \$40.5 million for Public Transit, and \$33.9 million for Local Transportation. (See Table A-1 and Figure A-4).

In the current year, FYE 2010, expenditures exceeded revenues by \$18.7 million, resulting in net assets of \$113.5 million at year-end. In the prior year, FYE 2009, revenues exceeded expenditures by \$5.0 million, resulting in net assets of \$132.2 million at year-end. In FYE 2008, revenues exceeded expenditures by \$16.1 million, resulting in net assets of \$127.1 million at year-end. (See Table A-1).

Table A-1

The Alameda County Transportation Improvement Authority  
Changes in Net Assets  
June 30, 2010, 2009 and 2008

	Governmental Activities		
	2010	2009	2008
<b>Revenues</b>			
Program revenues:			
Operating grants and contributions	\$ 7,150,185	\$ 4,307,866	\$ 3,691,335
Capital grants and contributions	2,261,455	6,132,120	6,369,021
General revenues:			
Sales taxes	95,642,284	102,531,773	117,325,523
<b>Total revenues</b>	<b>105,053,924</b>	<b>112,971,759</b>	<b>127,385,879</b>
<b>Expenses</b>			
Administration	6,345,537	6,451,951	5,358,500
Highways and Streets	28,109,281	33,903,914	31,512,788
Public Transit	63,176,467	40,400,152	40,548,900
Local Transportation	26,101,744	27,166,706	33,893,417
<b>Total expenses</b>	<b>123,733,029</b>	<b>107,922,723</b>	<b>111,313,605</b>
Change in net assets	(18,679,105)	5,049,036	16,072,274
Net assets, beginning of year	132,155,115	127,106,079	111,033,805
<b>Net assets, end of year</b>	<b>\$ 113,476,010</b>	<b>\$ 132,155,115</b>	<b>\$ 127,106,079</b>



Figure A-3  
The Alameda County Transportation Improvement Authority  
Sources of Revenue for Fiscal Year 2009-10

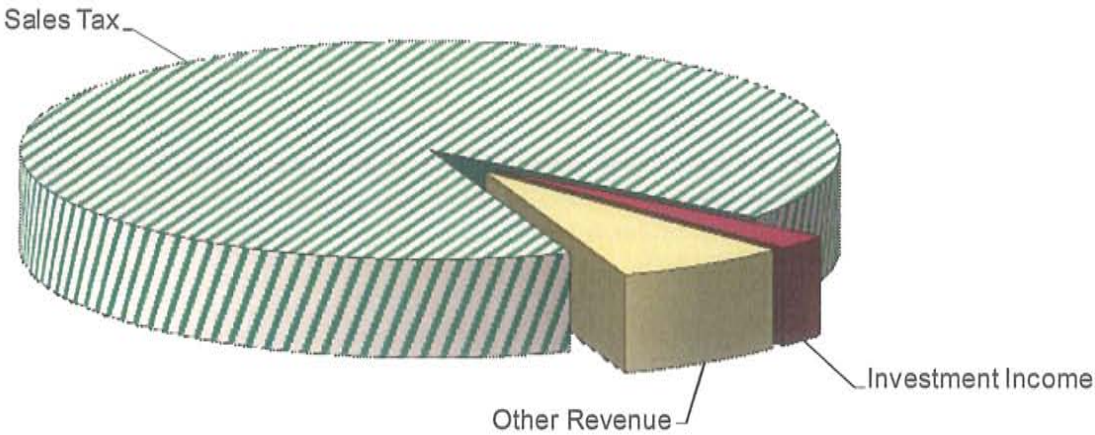
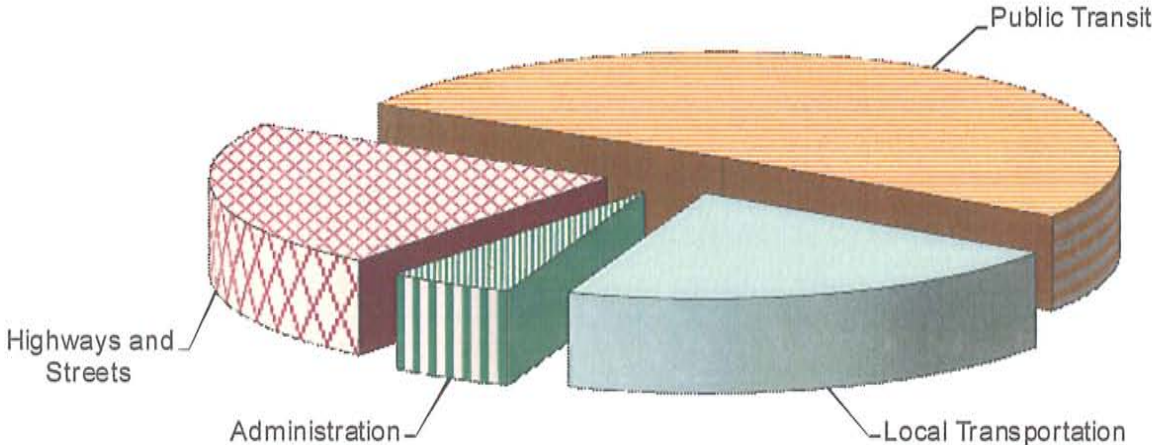


Figure A-4  
The Alameda County Transportation Improvement Authority  
Functional Expenses for Fiscal Year 2009-10



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**Net Assets:** The total assets for the current year at June 30, 2010 were \$139.0 million, of which \$15.1 million was from sales tax receivables, \$ 114.8 million was from cash and investments, \$7.0 million are receivables from other government agencies and \$2.1 million from various other assets. Liabilities totaled \$25.5 million, most of which was accounts payable. Of the total \$113.5 million in net assets, nearly all of it is restricted as to use and \$0 million is invested in capital assets (see table A-2).

The total assets for the current year at June 30, 2009 were \$150.7 million, of which \$14.7 million was from sales tax receivables, \$118.9 million was from cash and investments, \$15.1 million are receivables from other government agencies and \$2.0 million from various other assets. Liabilities totaled \$18.5 million, most of which was accounts payable. Of the total \$132.1 million in net assets, nearly all of it is restricted as to use and \$0 million is invested in capital assets (see table A-2).

The total assets at June 30, 2008 were \$155.4 million, of which \$18.6 million was from sales tax receivables, \$111.1 million was from cash and investments, \$25.1 million are receivables from other government agencies and \$0.5million from various other assets. Liabilities totaled \$28.2 million, most of which was accounts payable. Of the total \$127.1 million in net assets, nearly all of it is restricted as to use and \$0.1 million is invested in capital assets (see table A-2).

Table A-2  
The Alameda County Transportation Improvement 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	\$ 114,623,290	\$ 118,906,164	\$ 111,107,595
Receivables			
Sales tax receivables	15,131,509	14,742,712	18,588,200
Interest	68,513	123,833	266,456
Other governmental	1,302,444	106,472	116,298
Other	718,178	1,645,589	9,475
Due from fiduciary	22,767	12,218	22,587
Capital assets (net of accumulated depreciation)			
Furniture and equipment	35,656	47,176	31,494
Leasehold improvements	-	-	34,406
Advances to other governments	7,040,370	15,086,398	25,080,225
Other assets	50,268	20,298	98,662
<b>Total assets</b>	<b>\$ 138,992,995</b>	<b>\$ 150,690,860</b>	<b>\$ 155,355,398</b>
Accounts payable	\$ 25,373,950	\$ 18,424,633	\$ 28,159,090
Compensated absences	70,804	73,761	72,450
Net OPEB Obligation	55,204	37,351	17,779
Due to other governments	17,027	-	-
<b>Total liabilities</b>	<b>25,516,985</b>	<b>18,535,745</b>	<b>28,249,319</b>
Net assets:			
invested in capital assets	35,656	47,176	65,900
Restricted for:			
Transportation Projects/Programs	113,440,354	132,107,939	127,040,179
<b>Total net assets</b>	<b>113,476,010</b>	<b>132,155,115</b>	<b>127,106,079</b>
<b>Total liabilities and net assets</b>	<b>\$ 138,992,995</b>	<b>\$ 150,690,860</b>	<b>\$ 155,355,398</b>

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## Financial Analysis of ACTIA's Funds

### Governmental Funds

ACTIA 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.

ACTIA works with other project sponsors to deliver the Highway and Streets projects and the Public Transit and Paratransit programs. Local Transportation funds are, for the most part, distributed directly to local agencies to administer projects important to their governing Boards. ACTIA's activities also include administration, which consists of financing public improvements, investing remaining fund balances, project management, and other administrative functions.

As of June 30, 2010, ACTIA had \$139.0 million in assets in the governmental funds: \$15.0 million in the general fund, \$102.2 million in the capital projects fund, and \$21.7 million in the special revenue fund. Of the total assets, \$114.6 million was in cash and investments. As of June 30, 2009, ACTIA had \$150.6 million in assets in the governmental funds: \$13.2 million in the general fund, \$112.7 million in the capital projects fund, and \$24.7 million in the special revenue fund. Of the total assets, \$118.9 million was in cash and investments. As of June 30, 2008, ACTIA had \$155.3 million in assets in the governmental funds: \$11.9 million in the general fund, \$113.7 million in the capital projects fund, and \$29.7 million in the special revenue fund. Of the total assets, \$111.1 million was in cash and investments

At the end of FYE 2010, ACTIA's liabilities were \$25.5 million, most of which were in accounts payable. At the end of FYE 2009, ACTIA's liabilities were \$18.5 million, most of which were in accounts payable. At the end of FYE 2008, ACTIA's liabilities were \$28.2 million, most of which were in accounts payable.

As of June 30, 2010, the total fund balance was \$113.6 million. As of June 30, 2009, the total fund balance was \$132.9 million. As of June 30, 2008, the total fund balance was \$127.1 million.

For FYE 2010, ACTIA had revenues of \$105.1 million, primarily from the sales tax and investment income. During the year, ACTIA expended \$123.7 million through the governmental funds, including \$6.3 million for administration, \$28.1 million for Highways and Streets, \$63.2 million for Public Transit and Paratransit operations, and \$26.1 million for Local Transportation programs.

For FYE 2009, ACTIA had revenues of \$113.0 million, primarily from the sales tax and investment income. During the year, ACTIA expended \$107.9 million through the governmental funds, including \$6.4 million for administration, \$33.9 million for Highways and Streets, \$40.4 million for Public Transit and Paratransit operations, and \$27.2 million for Local Transportation programs.

For FYE 2008, ACTIA had revenues of \$127.4 million, primarily from the sales tax and investment income. During the year, ACTIA expended \$111.2 million through the governmental funds, including \$5.3 million for administration, \$31.5 million for Highways and Streets, \$40.5 million for Public Transit and Paratransit operations, and \$33.9 million for Local Transportation programs.



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2010, ACTIA had invested \$35,656 in capital assets, including furniture and equipment and leasehold improvements (see Table A-3). Please refer to the notes to the financial statements for more detail.

Table A-2-1  
The Alameda County Transportation Improvement Authority  
Capital Assets (net of depreciation)  
June 30, 2010, 2009 and 2008

	2010	2009	2008
Furniture and equipment (net of accumulated depreciation)	\$ 13,217	\$ 18,754	\$ 31,494
Leasehold improvements (net of accumulated amortization)	22,439	28,422	34,406
Total	\$ 35,656	\$ 47,176	\$ 65,900

The major capital asset additions included leasehold improvements and new furniture and equipment to carry out its regular business operations.

### Long-Term Debt

As of June 30, 2010, 2009 and 2007, ACTIA had no outstanding long-term debt.

## COMPARISON OF BUDGETED TO ACTUAL

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

For the general fund, ACTIA started with an adopted budget of \$6.2 million from revenues, expenditures totaling \$5.8 million, and a surplus in the general fund balance of \$0.4 million. In the final adopted budget, these amounts were revised to \$ 5.7 million in revenues, \$ 4.8 million in expenditures, and a surplus in the general fund of \$0.9 million. The actual revenues from the sales tax and other income were \$5.9 million, and indirect administrative costs totaled \$4.3 million (including \$1.3 million of sales tax collection fees), resulting in a surplus of \$1.6 million. Most of the improvements were from the allocation of cost to benefitting capital projects and special revenue funds.

Likewise, for the Special Revenue Fund starting adopted budget anticipated revenues and expenditures of \$57.5 million and \$59.3 million, respectively. The final adopted budget had revenues and expenditures of \$51.8 million and \$55.4 million, respectively. Actual amounts were \$54.3 million in revenues and \$57.8 million in expenditures, with \$32.4 million for Public Transit, \$24.6 million for Local Transportation (Highways and Streets) and \$0.9 million for Administration. Special fund revenues include grants and pass-through funds, which match expenditures as nearly all receipts are passed on to Alameda County jurisdictions in accordance with the Measure B plan. The residual difference of \$3.5 million is the net decrease to the reserved fund balance under special revenue (Express Bus, Service Gap, Regional Bike and Pedestrians and Transit Oriented Development Reserves). Details of special revenue funds are provided under supplemental information.

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## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of ACTIA's finances for all those with an interest in ACTIA'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 Improvement Authority at 1333 Broadway, Suite 300, Oakland, California 94612.

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**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY  
GOVERNMENTAL FUNDS - BALANCE SHEETS / STATEMENT OF NET ASSETS  
JUNE 30, 2010  
(WITH SUMMARIZED COMPARATIVE AMOUNTS FOR JUNE 30, 2009)**

	Statement of Net Assets				
	General	Capital Projects	Special Revenue	2010 Total	2009 Total
<b>Assets</b>					
Cash and investments	\$14,110,501	\$87,443,490	\$13,069,299	\$114,623,290	\$118,906,164
Receivables					
Sales tax	680,918	5,794,693	8,655,898	15,131,509	14,742,712
Accrued interest		68,513		68,513	123,833
Other governments	115,162	1,180,793	6,489	1,302,444	1,064,472
Other	3,152	713,626	1,400	718,178	1,645,589
Advances to other governments	5,767	7,034,603		7,040,370	15,086,398
Due from employee benefits trust	22,767			22,767	12,218
Other assets	50,268			50,268	20,298
Capital assets, depreciable, net of accumulated depreciation					
				(1) 35,656	47,176
<b>Total assets</b>	<b>\$14,988,535</b>	<b>\$102,235,718</b>	<b>\$21,733,086</b>	<b>\$138,957,339</b>	<b>\$150,690,860</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$365,997	\$14,884,840	\$10,123,113	\$25,373,950	\$18,424,633
Due to other governments			17,027	17,027	
Compensated absences					73,761
Net OPEB obligations - due in more than one year				(2) 70,804	
<b>Total liabilities</b>	<b>365,997</b>	<b>14,884,840</b>	<b>10,140,140</b>	<b>25,390,977</b>	<b>18,535,745</b>
<b>Fund balances:</b>					
Reserved for:					
Administration	11,022,538			11,022,538	
Election costs	2,600,000			2,600,000	
County-wide transportation plan	1,000,000			1,000,000	
Transportation projects		87,350,878	11,592,946	98,943,824	
<b>Total fund balances</b>	<b>14,622,538</b>	<b>87,350,878</b>	<b>11,592,946</b>	<b>113,566,362</b>	
<b>Total liabilities and fund balances</b>	<b>\$14,988,535</b>	<b>\$102,235,718</b>	<b>\$21,733,086</b>	<b>\$138,957,339</b>	
<b>Net Assets:</b>					
Invested in capital assets					47,176
Restricted					
				35,656	
<b>Total net assets</b>				<b>113,440,354</b>	<b>132,107,939</b>
				<b>\$113,476,010</b>	<b>\$132,155,115</b>

Amounts reported for governmental activities in the statement of net assets are different because:

- (1) - Capital assets used in governmental activities are not financial resources and, and therefore are not reported in the funds.
- (2) - Compensated absences are considered long term and therefore are not recorded in the governmental funds.
- (3) - OPEB obligations are considered long term and therefore are not recorded in the governmental funds.

See accompanying notes to financial statements

**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT 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 THE YEAR ENDED JUNE 30, 2009)**

	Statement of Activities			
	General	Capital Projects	Special Revenue	2009 Total
Revenues:				
Sales tax	\$5,439,121	\$36,171,469	\$54,031,694	\$95,642,284
Investment income	291,909	1,719,992	249,554	2,261,455
Federal, state and local funds	179,754	2,910,537	2,910,537	2,656,029
Other income	4,057,864	4,239,648	2,030	4,239,648
<b>Total revenues</b>	<b>5,910,784</b>	<b>44,859,862</b>	<b>54,283,278</b>	<b>105,053,924</b>
Expenditures\expenses:				
Current:				
Administration	4,272,483	1,196,590	850,048	6,319,121
Highways and streets		28,109,281		28,109,281
Public transit		30,819,672	32,356,795	63,176,467
Local transportation		1,525,336	24,576,408	26,101,744
<b>Total expenditures\expenses</b>	<b>4,272,483</b>	<b>61,650,879</b>	<b>57,783,251</b>	<b>123,706,613</b>
Excess of revenues over expenditures	1,638,301	(16,791,017)	(3,499,973)	(18,652,689)
Net change in fund balances \ net assets	1,638,301	(16,791,017)	(3,499,973)	(18,652,689)
Fund balances / net assets:				
Beginning of year	12,984,237	104,141,895	15,092,919	132,219,051
End of year	\$14,622,538	\$87,350,878	\$11,592,946	\$113,566,362

(1) Amounts reported for governmental activities in the statement of activities are different because:

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

Changes in compensated absences

Changes in post-employment benefits other than pensions

	11,520
	(2,957)
	17,853
	<u>\$26,416</u>

See accompanying notes to financial statements

**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY  
 FIDUCIARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2010**

	<b>Retiree Benefits Trust Fund</b>
<b>ASSETS</b>	
Deposits and investments	\$932,128
<b>Total Assets</b>	<u>932,128</u>
<b>LIABILITIES</b>	
Due to ACTIA General Fund	22,767
<b>Total Liabilities</b>	<u>22,767</u>
<b>NET ASSETS</b>	
Held in trust for OPEB benefits	909,361
<b>Total Net Assets</b>	<u><u>\$909,361</u></u>

See accompanying notes to financial statements



**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Retiree Benefits Trust Fund</b>
	<u>                    </u>
<b>ADDITIONS:</b>	
Investment earnings	\$8,789
Total Additions	<u>8,789</u>
<b>DEDUCTIONS:</b>	
Benefits	10,549
Total Deductions	<u>10,549</u>
<b>Change in Net Assets</b>	(1,760)
<b>Net Assets - Beginning</b>	<u>911,121</u>
<b>Net Assets - Ending</b>	<u><u>\$909,361</u></u>

See accompanying notes to financial statements

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# ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT 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 Improvement Authority (ACTIA) was created by the Alameda County Board of Supervisors in 1998, to place a ballot measure to authorize the imposition of a one half of one percent sales and use tax (the sales tax) in Alameda County before Alameda County voters in June 1998. This measure did not receive two-thirds voter support. A subsequent ballot measure was placed on the November 2000 ballot, and was approved by over two-thirds of the voters. The proceeds from the sales tax are principally reserved for highway infrastructure, mass transit, local transportation, and administrative costs. The sales tax commenced April 1, 2002 and will expire on March 31, 2022.

The basic financial statements of ACTIA include all of its financial activities. ACTIA is the sole independent agency responsible for receiving and allocating funds necessary to complete the programs and was governed by an eleven-member board of elected officials from the County and local cities. Also please read Note (10) for additional information.

#### (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 ACTIA.

#### (c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economics resources measurement focus* and the *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 to the State Board of Equalization. Grants and similar items 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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, ACTIA 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.

# ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

Sales taxes, local matching revenue, and investment income (including the change in the fair value of investments) associated with the current year 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.

Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the Authority.

ACTIA reports the following major governmental funds:

The *general fund* is ACTIA's primary operating fund. It accounts for all financial resources of ACTIA, except those required to be accounted for in another fund. A total of 4.5% net revenues has been allocated for administration of this Measure B sales tax program. Administration costs include salaries, benefits, professional fees, rent expense, office supplies and equipment, utilities and other cost that cannot be specifically identified with another fund. The salaries and benefits of ACTIA's staff are limited by Measure B to 1% of sales tax revenue. Revenues in excess of administrative expenditures in any one year are reserved for future administrative costs.

The *capital projects fund* accounts for resources accumulated and payments made for the acquisition or construction of major capital improvements in accordance with the Alameda County 20-Year Transportation Expenditure Plan. ACTIA does not retain ownership of these improvements. They are transferred to the sponsor or managing jurisdiction after completion.

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

The *fiduciary fund* reporting focuses on net assets and changes in net assets. Trust funds are used to account for the assets held by the Authority under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the Authority's own programs. The Authority's fiduciary fund is a trust fund which accounts for the Retiree Medical Benefits and allocated sources to provide medical benefits for retirees.

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

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

ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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(1) Summary of Significant Accounting Policies (Continued)

(d) Budgetary Data

Following a public meeting, ACTIA 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, ACTIA approves all transfers between expenditure objects and overall budget modifications during the year. For the capital projects fund, ACTIA annually approves individual project budgets (strategic plan), detailed by component functions. The Executive Director or designee approves reimbursements to the project sponsors, and reimbursements are not to exceed contract and strategic plan limits. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

(e) Deposits and Investments

ACTIA’s cash and investments are maintained in custodial investment accounts managed by independent investment advisors, and California State Treasurers. ACTIA generally holds investments till maturity. All cash and investments of ACTIA are restricted as to the investment options as specified in the State government code and investment policy.

(f) Capital Assets

Capital assets, which include leasehold improvements and office furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by ACTIA 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 the 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 asset or materially extend assets lives are not capitalized.

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

Asset	Years
Office furniture and equipment	5
Computer equipment	3
Leasehold improvements	5

# ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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

#### (g) *Compensated Absences*

It is 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. ACTIA is not obligated to pay for unused sick leave if an employee terminates employment prior to retirement or prior to when ACTIA ceases operations.

Compensated absences activity was as follows for the year ended June 30, 2010:

Beginning Balance	\$73,761
Additions	63,185
Payments	<u>(66,142)</u>
Ending Balance	<u><u>\$70,804</u></u>

#### (h) *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.

#### (i) *Interfund Transfers*

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

#### (j) *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions 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, 2010, are classified in the accompanying financial statements as follows:

Governmental Activities	\$114,623,290
Fiduciary Funds	<u>932,128</u>
Total Deposits	<u><u>\$115,555,418</u></u>



# ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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

Deposits and investments as of June 30, 2010, consist of the following:

Cash on hand and in banks	\$4,091,191
Investments	<u>111,464,227</u>
Total Deposits and Investments	<u>\$115,555,418</u>

#### Policies and Practices

ACTIA 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.

#### General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer	Minimum Credit Quality
Local Agency Bonds, Notes, Warrants	5 years	10%	5%	Aa
Registered State Bonds, Notes, Warrants	5 years	10%	5%	Aa
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	35%	Aaa
Banker's Acceptance	180 days	40%	5%	A1
Commercial Paper	270 days	25%	5%	A1
Negotiable Certificates of Deposit	3 years	30%	5%	Aa
Repurchase Agreements	90 days	20%	None	None
Medium-Term Notes	5 years	30%	5%	Aa
Money Markets	N/A	20%	5%	Aaa
County Pooled Investment Funds	N/A	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None

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

# ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

#### 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. ACTIA 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.

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

Investment Type	12 Months or less	13 to 24 Months	Total
U.S. Agency Securities:			
Non-Callable	\$45,917,314	\$5,219,512	\$51,136,826
U.S. Treasury Bonds	1,469,046	3,133,599	4,602,645
Corporate Notes	911,828	3,701,115	4,612,943
Certificate of Deposits	932,128		932,128
Money Market Mutual Funds	180,635		180,635
California Local Agency Investment Fund	49,999,050		49,999,050
Total Investments	\$99,410,001	12,054,226	111,464,227
Cash in Bank	4,091,191		4,091,191
Total Cash and Investments	\$103,501,192	\$12,054,226	\$115,555,418

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 IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

### (2) Deposits and Investment (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 measure 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, ACTIA's investment policy, or debt agreements, and the actual S & P rating as of the year-end for each investment type.

Investment Type	Aaa	Not Rated	Total
U.S. Agency Securities:			
Non-Callable	\$51,136,826		\$51,136,826
U.S. Treasury Bonds		\$4,602,645	4,602,645
Corporate Notes	4,612,943		4,612,943
Certificate of Deposits		932,128	932,128
Money Market Mutual Funds	180,635		180,635
California Local Agency Investment Fund		49,999,050	49,999,050
Totals Investments	\$55,930,404	55,533,823	111,464,227
Cash in Bank		4,091,191	4,091,191
Total Cash and Investments	\$55,930,404	\$59,625,014	\$115,555,418

#### Concentration of Credit Risk

The investment policy of ACTIA 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	Amount
Federal Home Loan Bank	Federal Agency Securities	\$12,189,569
Federal Home Loan Mortgage Corp	Federal Agency Securities	18,911,717
Federal National Mortgage Assoc	Federal Agency Securities	11,126,253

# ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### (2) Deposits and Investment (Continued)

#### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, ACTIA's deposits may not be returned to it. ACTIA'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, ACTIA's bank balance of \$5,786,349, with a reported balance of \$4,091,191, is collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the ACTIA.

#### **Custodial Credit Risk Deposits – Retiree's Health Benefit Trust Fund Deposits with Financial Institutions**

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank failure, the Retiree Health Benefit Trust Fund's deposits may not be returned to them. Although the Retiree Health Insurance Trust Fund does not have its own investment policy, there are securities available as pledged collateral for the retirement fund for the Retiree Health Insurance Trust Fund's Deposits of \$932,128 with a financial institution. Retiree Health Benefit Trust Fund is held as a timed deposit with a maturity date of July 2, 2010.

#### **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, ACTIA will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. It is ACTIA's policy that all securities held, be secured through third-party custody and safekeeping.

#### **Local Agency Investment Fund**

ACTIA 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 ACTIA's investment in the pool is reported in the accompanying financial statement at amounts based upon ACTIA'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 IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

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(3) Advances to Other Governments

ACTIA advanced \$25 million of public transit program funds to Alameda-Contra Costa Transit Agency (AC Transit) in 2006. The advance had a variable interest rate, which is adjusted monthly, based on LAIF plus one percent. During the fiscal year ended on June 30, 2009, the loan agreement was amended where \$10 million of loan was paid down. The amended loan carries an interest rate of 6% and another 1% for administrative fees. The loan is due on or before December 31, 2010. The outstanding balance, including accrued interest, as of June 30, 2010, is \$7,040,370.

(4) Capital Assets

(a) Capital Assets – Governmental Activities

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

	<u>June 30, 2009</u>	<u>Additions</u>	<u>June 30, 2010</u>
Capital assets being depreciated:			
Furniture and equipment	\$85,732	\$4,384	\$90,116
Leasehold improvements	41,886		41,886
Total capital assets being depreciated	<u>127,618</u>	<u>4,384</u>	<u>132,002</u>
Less accumulated depreciation for:			
Furniture and equipment	(66,978)	(9,921)	(76,899)
Leasehold improvements	<u>(13,464)</u>	<u>(5,983)</u>	<u>(19,447)</u>
Total accumulated depreciation	<u>(80,442)</u>	<u>(15,904)</u>	<u>(96,346)</u>
Governmental activities capital assets, net	<u>\$47,176</u>	<u>(11,520)</u>	<u>\$35,656</u>

(b) Depreciation Expense

Depreciation expense of \$15,904 was charged to the Administrative function of ACTIA during the year ended June 30, 2010.

ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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(5) Commitments and Contingent Liabilities

(a) *Agreements with Engineering Firms*

ACTIA has entered into contracts with various private engineering firms to provide scoping/planning, engineering, environmental, design, right-of-way engineering and acquisition, and construction management services. As of June 30, 2010, the total outstanding commitments (not paid or accrued) are \$11.2 million. The terms range from June 30, 2010 for up to four and half years (or acceptance of the phase of work, whichever is earlier).

(b) *Agreements with Project Sponsors*

ACTIA has entered into contracts with various project sponsors to provide scoping/planning, engineering, environmental, design, right-of-way engineering and acquisition, construction management and equipment purchase services. As of June 30, 2010, the total outstanding commitments (not paid or accrued) are \$186.4 million. The terms range from June 30, 2010 for seven and one half years (or acceptance of the phase of work, whichever is earlier).

(c) *Operating Lease Commitments*

The Authority has entered into an operating lease agreement with BOI-Broadway Trust for rental of facilities with commitments through November 2013. Future minimum rental payments are as follows:

Year Ending June 30	Lease Payments
2011	\$360,057
2012	371,325
2013	382,593
2014	161,370
Total	<u>\$1,275,345</u>

ACTIA will also pay additional rent related to its share of increased operating costs and increased taxes. One fourth of the rent is paid by the ACTA under the budget approved by the Boards (See Note 8).

ACTIA has entered into sublease agreements for rental of facilities to Bay Area Program Management Group and Nelson\Nygaard for monthly rent of \$4,082 and \$710 respectively effective from July 1, 2007. Under new sublease agreements with Acumen and Rochelle Wheeler entered during the fiscal year ending June 30, 2009, the Authority will receive a monthly rent of \$1,011 and \$368, respectively. These subleases are month-to-month tenancy terminable for any reason whatsoever on 30 days written notice given at any time by either party.



# ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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### (5) Commitments and Contingent Liabilities (Continued)

#### (d) Insurance, Claims and Litigation

ACTIA is exposed to various risks of loss related to torts: thereof, damage to, and destruction of assets; errors and omissions; and natural disasters. ACTIA is named as an additional insured party on the ACTIA's commercial insurance coverage for general liability, directors and officers liability, automobile liability, and property coverage. The amounts of settlements for the past three fiscal years have not exceeded insurance coverage.

Type of Claim	Coverage Limits	Deductible
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	

### (7) Retirement Plan

Plan Description – ACTIA is part of the miscellaneous 2.5% at 55 risk pool, a cost-sharing multiple-employer defined benefit plan. All employees are eligible to participate in the Public Employees' Retirement Fund (the Fund) of the California Public Employees' Retirement System (CalPERS). The Fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. These benefits provisions and all other requirements are established by State statute. CalPERS issues a publicly available financial statement report. The CalPERS Comprehensive Annual Financial Report may be obtained by writing the State of California's Public Employees' Retirement System at P.O. Box 942709, Sacramento, California 94229-2709.

Funding Policy – The total combined payroll for ACTA and ACTIA for the fiscal year ended June 30, 2010 was \$1,035,500, which approximates covered payroll for employees participating in the Fund. ACTIA, due to a benefits resolution, has an obligation to contribute 7% for covered employees and employees will contribute 1%, which represent the members' portion. ACTIA is required to contribute at an actuarially determined rate. The average rate for the year ended June 30, 2010 was 10.101% of covered payroll.

# ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

### (6) Retirement Plan (Continued)

Annual Pension Cost – ACTIA’s annual pension costs was equal to the required contribution, which was determined as part of an actuarial valuation performed as of June 30, 2008, using the entry age normal cost method. The significant actuarial assumptions used in the valuation were an assumed rate of return on investment assets of 7.75%, projected salary increases ranging from 3.25% to 14.45%, annual payroll growth of 3.25% and inflation of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term market value fluctuations over a fifteen-year period.

Three Year Trend Information - The following table shows the ACTIA’s required contributions and percentage contributed, for the current year and each of the preceding two years.

Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributions	Net Pension Obligation
06/30/08	\$171,690	100%	\$0
06/30/09	178,821	100%	0
06/30/10	176,843	100%	0

As required by new State law, effective July 1, 2005, the Authority’s Miscellaneous Plan was terminated, and the employees in the plan were required by CALPERS to join a new State-wide pool. One of the conditions of entry to these pools was that the Authority true-up any unfunded liability in the former Plan, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS.

Three-year historical trend information is presented below:

#### *State-wide Pool Miscellaneous Plan:*

Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2006	\$912,988,585	\$787,758,909	\$125,229,676	86.3%	\$200,320,145	62.5%
2007	1,315,454,361	1,149,247,298	166,207,063	87.4%	289,090,187	57.5%
2008	1,537,909,933	1,337,707,835	200,202,098	87.0%	333,307,600	60.1%

ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(7) Other Postemployment Benefits (OPEB)

Plan Description

Employees hired prior to November 1, 2004 - Employees who retire from ACTIA and are eligible to immediately receive a pension from CalPERS are eligible to receive a portion of the cost of the monthly premium for health coverage through the CalPERS medical program. The benefit provided by ACTIA is for the retiree only. It continues until the retiree dies. ACTIA will contribute the lesser of the premium rate for the plan selected by the retiree and the Kaiser Employee only/Early Retiree premium rate. Retirees must contribute the entire cost of spousal and dependent child coverage.

Employees hired November 1, 2004 and later - Eligibility for postretirement health coverage through the Authority will be determined by a vesting schedule. An employee will vest 50% after five years of service with ACTIA. After five years of service with ACTIA, credit will be given for any prior years of PERS service that the employee may have earned with another employer. The employee will vest an additional 5% for each year of service thereafter, up to a maximum of 100%. The benefit provided by ACTIA is for the retiree only. It continues until the retiree dies. ACTIA will contribute the lesser of the premium rate for the plan selected by the retiree and the vested percentage of the weighted average Employee only premium rate based on the enrollment of all active employees.

Employees will be considered 100% vested after 15 years of service with ACTIA, regardless of the number of days after separation from employment.

Retirees must contribute the entire cost of spousal and dependent child coverage

The plan is authorized under the Board Resolution 04-0054. The ACTIA reports the financial activity of the Plan as a trust/ agency fund, and no separate financial report is prepared. Membership of the Plan consisted of the following at July 1, 2009, the date of the latest actuarial valuation:

Retirees receiving benefits	3
Active plan members	<u>8</u>
Total	<u><u>11</u></u>

Funding Policy - The contribution requirements of ACTIA and the plan members are established and may be amended by the Governing Board. The required contribution is based on the single party Kaiser premium available through the California PERS medical program. During the year ended June 30, 2010, ACTIA contributed \$0. The premiums were funded from the interest earnings of Retiree Benefit Trust.

**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY**

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

**(7) Other Postemployment Benefits (OPEB) (Continued)**

Annual Post Retirement Benefit Costs and Net Post Retirement Benefit Obligations - ACTIA's annual other post retirement benefit (OPEB) obligation cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following tables show the ARC of ACTIA, the components of ACTIA's annual OPEB costs for the year, the amount actually contributed to the Plan, and the changes in ACTIA's net post retirement benefit cost obligation to the Plan.

Normal Cost at Year End	\$35,793
Amortization of UAAL	<u>(17,301)</u>
Annual required contribution (ARC)	18,492
Interest on Prior Year Net OPEB Obligation	1,868
Adjustment to ARC	<u>(2,507)</u>
Annual OPEB Cost	17,853
Contributions made	<u>0</u>
Increase (Decrease) in Net OPEB Obligation	17,853
Net OPEB Obligation - Beginning of Year	<u>37,351</u>
Net OPEB Obligation - End of Year	<u><u>\$55,204</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/08	\$17,119	\$0	0%	\$17,119
6/30/09	19,572	\$0	0%	37,351
6/30/10	17,853	\$0	0%	55,204

**Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the profitability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimated are made about the future. The schedules of funding progress and employer's contributions are presented as required supplementary information following the notes to the financial statements. The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits. The schedule provides multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

---

(7) Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress (Continued)

Actuarial Method and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Actuarial Cost Method. Under the PUC cost method the actuarial present value of projected benefits is allocated ratably over the service of individuals between entry age and the assumed exit age(s). In this valuation each individual's attribution period extends from hire date to estimated retirement date. The actuarial assumptions included a 5% discount rate and 5% investment rate of return. The retirement, mortality and termination rates used in this valuation were recently adopted for use in California PERS pension valuations. The actuarial valuation assumed that the annual health care cost trend rates will decrease gradually from the relatively high rate of annual increase in the past, depending on the age of the employee and the year being projected. See table below for medical trend rates assumptions. The health care cost long-term annual expected rate of increase is in the 5% to 6% range, leading to 5.5% long term rate.

<u>Calendar Year</u> <u>Beginning January</u>	<u>Estimated</u> <u>Increase</u>
2011	7.9%
2012	7.6%
2013	7.3%
2014	7.0%
2015	6.7%
2016	6.4%
2017	6.1%
2018	5.8%
2019 & thereafter	5.5%

The UAAL is being amortized as a level dollar method on a closed basis over 30 years. Any administrative fees other than those included in the monthly premium rates are not included in the actuarial valuation. The actuarial valuation also does not include any liability estimates for future hires.

**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY**

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

**(7) Other Postemployment Benefits (OPEB) (Continued)**

**OPEB Schedule of Funding Progress**

The table below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL As a Percentage of Covered Payroll [(a)-(b)]/(c)
6/30/2007	\$557,513	\$873,021	(\$315,508)	156.6%	\$989,408	-31.9%
6/30/2008	610,469	921,678	(311,209)	151.0%	1,037,158	-30.0%
6/30/2009	665,583	923,339	(257,756)	138.7%	1,036,286	-24.9%

**(8) Related Party Transactions**

During the year ended June 30, 2010, ACTIA paid \$1,498,893 for the administrative costs on behalf of ACTA. As of June 30, 2010, \$1,285,414 is receivable from ACTA. This is included in the receivable from other governments 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.

**(9) Stewardship, compliance and accountability**

Excess of expenditures over appropriations- For the year ended on June 30, 2010, expenditures exceeded appropriations for \$2,386,121 in Special Revenue Fund. The excess of actual over budgeted expenditures are due to the timing differences on Board Approved grant expenditures.

**(10) 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.

On June 24, 2010, the ACTA Board adopted the resolution to transfer all of ACTA's assets, responsibilities, functions and liabilities to ACTIA, 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 on July 1, 2010, ACTA transferred to ACTIA net assets in the amount of \$189,243,754.

***REQUIRED SUPPLEMENTARY INFORMATION***

ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
 IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$5,750,000	\$5,238,710	\$5,439,121	\$200,411
Investment income	223,350	233,339	291,909	58,570
Other	186,274	196,248	179,754	(16,494)
Total revenues	<u>6,159,624</u>	<u>5,668,297</u>	<u>5,910,784</u>	<u>242,487</u>
Expenditures:				
Current:				
Administration	5,773,604	4,766,894	4,272,483	494,411
Total expenditures	<u>5,773,604</u>	<u>4,766,894</u>	<u>4,272,483</u>	<u>494,411</u>
Excess of revenues over expenditures	386,020	901,403	1,638,301	736,898
Net change in fund balances	<u>\$386,020</u>	<u>\$901,403</u>	1,638,301	<u>\$736,898</u>
Beginning Fund balance			<u>12,984,237</u>	
Ending Fund balance			<u>\$14,622,538</u>	



**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual amounts</u>	
Revenues:				
Sales tax	\$57,204,500	\$51,484,054	\$54,031,694	\$2,547,640
Investment income	301,523	291,049	249,554	(41,495)
Other		2,230	2,030	(200)
Total revenues	<u>57,506,023</u>	<u>51,777,333</u>	<u>54,283,278</u>	<u>2,505,945</u>
Expenditures:				
Current:				
Administration	1,208,000	1,251,970	850,048	401,922
Public transit	32,543,209	30,720,885	32,356,795	(1,635,910)
Local Transportation	25,569,664	23,424,275	24,576,408	(1,152,133)
Total expenditures	<u>59,320,873</u>	<u>55,397,130</u>	<u>57,783,251</u>	<u>(2,386,121)</u>
Net change in fund balances	<u>(\$1,814,850)</u>	<u>(\$3,619,797)</u>	<u>(3,499,973)</u>	<u>\$119,824</u>
Beginning Fund balance			<u>15,092,919</u>	
Ending Fund balance			<u>\$11,592,946</u>	

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***OTHER SUPPLEMENTARY INFORMATION***

**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY  
SCHEDULE OF SPECIAL REVENUE FUND PROJECTS AND PROGRAMS  
COMBINING BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2010  
(WITH SUMMARIZED COMPARATIVE AMOUNTS FOR JUNE 30, 2009)**

Assets	Express Bus	Service Gap	Regional Bike and Pedestrian		Transit-Oriented Development	Program Distributions	Total	
			Bike and Pedestrian				2010	2009
Cash and investments	\$2,713,153	\$3,736,785	\$5,250,279		\$1,368,873	\$209	\$13,069,299	\$16,283,275
Receivables								
Sales tax	101,552	206,643	180,632		27,456	8,139,615	8,655,898	8,433,489
Other receivables		1,400		6,489			1,400	
Due from other governments								
Total assets	2,814,705	3,944,828	5,437,400		1,396,329	8,139,824	21,733,086	24,716,764

**Liabilities and Fund Balances**

Liabilities:								
Accounts payable	\$109,127	\$1,302,072	\$451,974		\$120,338	\$8,139,602	\$10,123,113	\$9,623,845
Due to other governments	1,881	13,942			1,204		17,027	
Total liabilities	111,008	1,316,014	451,974		121,542	8,139,602	10,140,140	9,623,845
Fund balances:								
Reserved for:								
Transportation projects	2,703,697	2,628,814	4,985,426		1,274,787	222	11,592,946	15,092,919
Total fund balances	2,703,697	2,628,814	4,985,426		1,274,787	222	11,592,946	15,092,919
Total liabilities and fund balances	\$2,814,705	\$3,944,828	\$5,437,400		\$1,396,329	\$8,139,824	\$21,733,086	\$24,716,764

**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE BY SPECIAL REVENUE FUND PROJECTS AND PROGRAMS  
 FOR THE YEAR ENDED JUNE 30, 2010**

	Express Bus	Service Gap	Regional Bike and		Transit- Oriented Development	Program Distributions	Total	
			Pedestrian				2010	2009
Revenues:								
Sales tax	\$633,907	\$1,289,906	\$1,127,539		\$171,386	\$50,808,956	\$54,031,694	\$57,958,263
Investment income	71,936	71,049	84,137		22,432		249,554	728,178
Other governments			2,030				2,030	56
Total revenues	705,843	1,360,955	1,213,706		193,818	50,808,956	54,283,278	58,686,497
Expenditures:								
Administration	13,885	358,490	366,981		110,692		850,048	492,849
Public transit	2,043,397	2,850,462			187,984	27,274,952	32,356,795	31,414,738
Local transportation			1,042,488			23,533,920	24,576,408	26,618,543
Total expenditures	2,057,282	3,208,952	1,409,469		298,676	50,808,872	57,783,251	58,526,130
Excess of revenues over expenditures	(1,351,439)	(1,847,997)	(195,763)		(104,858)	84	(3,499,973)	160,367
Net change in fund balances	(1,351,439)	(1,847,997)	(195,763)		(104,858)	84	(3,499,973)	160,367
Fund balances, beginning of year	4,055,136	4,476,811	5,181,189		1,379,645	138	15,092,919	14,932,552
Fund balances, end of year	\$2,703,697	\$2,628,814	\$4,985,426		\$1,274,787	\$222	\$11,592,946	\$15,092,919

Alameda County Transportation Improvement Authority  
 Schedule of Direct and Indirect Expenditures  
 For the Year June 30, 2011

	Direct Costs	Indirect costs	Unallowable Costs	TOTAL
Salaries and Benefits	\$ 712,136	\$ 756,415		\$ 1,468,552
Office Expenses	11,000	334,200	\$ 22,100	367,300
Publications		145,000		145,000
Professional Services	3,668,904	1,285,802	280,000	5,234,706
Office Rental		242,747	77,253	320,000
Equipment Purchases		15,000		15,000
Insurance		70,000	10,000	80,000
Tax Collection Costs			1,225,000	1,225,000
Total Expenses	<u>4,392,040</u>	2,849,164	<u>1,614,353</u>	<u>8,855,558</u>
Prior year Indirect cost Filing/Carryforward		None		
Depreciation				
Amount Recoverable		<u>2,849,164</u>		
Ratio of Indirect to Direct Costs		64.87%		



**ALAMEDA COUNTY  
TRANSPORTATION IMPROVEMENT AUTHORITY**

**MEMORANDUM ON INTERNAL CONTROL  
AND  
REQUIRED COMMUNICATIONS**

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

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

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

**Table of Contents**

	<b><u>Page</u></b>
<i>Memorandum on Internal Control</i> .....	1
Current Year Schedule of Other Matters .....	3
<i>Required Communications</i> .....	5
Financial Statement Audit Assurance .....	5
Other Information Included with the Audited Financial Statements .....	5
Accounting Policies.....	5
Unusual Transactions, Controversial or Emerging Areas.....	5
Estimates .....	6
Disagreements with Management .....	6
Retention Issues .....	6
Difficulties .....	6
Audit Adjustments.....	6
Uncorrected Misstatements.....	6

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## MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the financial statements of the Alameda County Transportation Improvement 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 IMPROVEMENT 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 Improvement Authority  
Oakland, California

We have audited the financial statements of the 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. 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.

**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 2 to the financial statements) - As of June 30, 2010, the Authority held approximately \$116 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.

*Marz & Associates*

September 15, 2010

**ALAMEDA COUNTY  
TRANSPORTATION IMPROVEMENT AUTHORITY**

**SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2010**

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**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY**

**SINGLE AUDIT REPORT  
For The Year Ended June 30, 2010**

**TABLE OF CONTENTS**

	<u>Page</u>
Schedule of Findings and Questioned Costs.....	1
Section I - Summary of Auditor’s Results.....	1
Section II – Financial Statement Findings.....	2
Section III – Federal Award Findings and Questioned Costs.....	2
Section IV - Status of Prior Year Findings and Questioned Costs.....	2
Schedule of Expenditures of Federal Awards.....	3
Notes to Schedule of Expenditures of Federal Awards.....	5
Report On Internal Control over Financial Reporting and On Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....	7
Report On Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and On Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	9

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**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2010**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?            Yes       X       No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?            Yes       X       None Reported

Noncompliance material to financial statements noted?            Yes       X       No

**Federal Awards**

Type of auditor’s report issued on compliance for major programs: Unqualified

Internal control over major programs:

- Material weakness(es) identified?            Yes       X       No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?            Yes       X       None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?            Yes       X       No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.200</u>	<u>Highway Research and Development Program</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?       X       Yes            No

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated September 15, 2010 which is an integral part of our audits and should be read in conjunction with this report.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Our audit did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

## **SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS –**

### **Financial Statement Prior Year Findings**

There were no prior year Financial Statement Findings reported.

### **Federal Award Prior Year Findings and Questioned Costs**

There were no prior year Federal Award Findings and Questioned Costs reported.

**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Fiscal Year Ended June 30, 2010

<b>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
U.S. Department of Transportation Pass-Through State of California Department of Transportation Highway Research and Development Program	20.200	STPL-6430(001)	<u>\$822,543</u>
Total Expenditures of Federal Awards			<u><u>\$822,543</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2010**

**NOTE 1-REPORTING ENTITY**

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Alameda County Transportation Improvement Authority, California as disclosed in the notes to the Basic Financial Statements.

**NOTE 2-BASIS OF ACCOUNTING**

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

**NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS**

Federal awards may be granted directly to the Authority by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Authority. The Schedule includes both of these types of Federal award programs when applicable.

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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 Improvement Authority  
Oakland, California

We have audited the financial statements of the 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 generally accepted auditing standards 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***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 and other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated September 15, 2010 which is an integral part of our audits and should be read in conjunction with this report.

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

*Maze & Associates*

September 15, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

***Compliance***

We have audited the Alameda County Transportation Improvement Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### ***Internal Control Over Compliance***

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

### ***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated September 15, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Maze & Associates*

September 15, 2010

**ALAMEDA COUNTY  
TRANSPORTATION IMPROVEMENT AUTHORITY  
LIMITATIONS WORKSHEET  
FOR THE YEAR ENDED  
JUNE 30, 2010**

**ACCOUNTANCY CORPORATION**

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

We have audited the basic financial statements of the Alameda County Transportation Improvement Authority (Authority) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 15, 2010. We have also audited the accompanying Alameda County Transportation Improvement Authority Limitations Worksheet (Limitations Worksheet) for the year ended June 30, 2010. The Worksheet is the responsibility of the Authority's management. Our responsibility is to express an opinion on this Limitations Worksheet based on our audit.

We conducted our audit of the Limitations Worksheet in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Limitations Worksheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Limitations Worksheet. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall Worksheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Limitations Worksheet referred to above, presents fairly, in all material respects, the administrative cost and related percentages of the Authority for the year ended June 30, 2010, in conformity with the accounting principles generally accepted in the United States of America.

*Maze & Associates*

September 15, 2010

**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY**

**Limitations Worksheet**

Basis for Salary and Benefits Limitation and the Administrative Cost Limitation

	<b>FY 2009-10</b>
<b><u>Revenues</u></b>	
Gross Sales Tax	\$ 95,642,284
Less Collection Fees (BOE, Audit fees)	(1,188,710)
Net SALES TAX PROCEEDS	<u>94,453,574</u>
Investments and Other Income-Net of Related Costs	<u>9,411,640</u>
Total Net Revenue-"FUNDS GENERATED"	<u>\$ 103,865,214</u>
 <b><u>Expenditures</u></b>	
Gross Salaries and Benefits	\$ 936,973
Administrative Salary & Benefits	<u>936,973</u>
Other Admin Costs (Consultants, Rent, Supplies, etc) under General Fund	2,015,723
Total Administration Costs	<u>\$ 2,952,696</u>
 <b><u>Compliance on Salary and Benefits Cost Limitation (Maximum Allowed is 1%)</u></b>	
Ratio of Gross Sal. & Ben. to "Net SALES TAX PROCEEDS" (Expenditure Plan Requirement)	0.992%
Ratio of Gross Sal. & Ben. to FUNDS GENERATED (PUC 180109 Requirement)	0.902%
 <b><u>Compliance on Administration Cost Limitation (Maximum Allowed is 4.5%)</u></b>	
Ratio of Total Admin. Costs to "Net SALES TAX PROCEEDS" (Expenditure Plan Requirement)	3.126%

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