

ALAMEDA COUNTY  
CONGESTION MANAGEMENT AGENCY

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December 4, 2008

Mr. Anees Azad  
Finance and Administrative Manager  
1333 Broadway, Suite 300  
Oakland, CA 94612

Re: Annual Financial Compliance Audit of 2007/2008 Measure B Funds

Dear Anees:

Please find attached our Annual Financial Compliance Audit of FY 2007/2008 Measure B funds prepared by our auditor Kevin Harper.

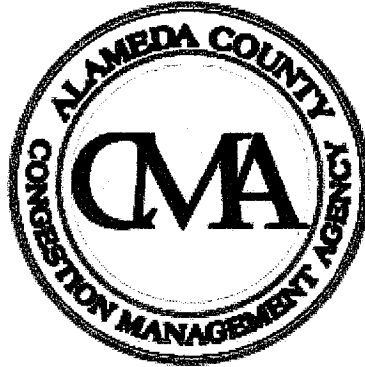
The Agency's Measure B Special Revenue Fund was closed. Final payment was made to the San Joaquin Commission.

If you have any questions, please call me at (510) 836-2560

Sincerely,

Richard Swanson  
Finance and Administrative Manager

Encl.



**ALAMEDA COUNTY CONGESTION  
MANAGEMENT AGENCY –  
MEASURE B PROGRAM**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**



Kevin W. Harper, CPA  
3002 Seriana Court  
Union City, CA 94587  
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Kevin W. Harper, CPA

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Alameda County Congestion Management Agency:

I have audited the accompanying financial statements of the Measure B Program of the Alameda County Congestion Management Agency (the "Agency") as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the accompanying financial statements are not intended to present the financial position and results of operations of the Agency.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure B Program of the Agency as of June 30, 2008, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

My audit was performed for the purpose of forming an opinion on the accompanying financial statements of the Agency's Measure B Program. The accompanying Supplemental Schedule of Revenues and Expenditures is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

As described in Note 1, the Agency's contract with ACTIA was terminated and the Measure B Special Revenue Fund was dissolved.

*Kevin W. Harper, CPA*

July 31, 2008

**ALAMEDA COUNTY CONGESTION MANAGEMENT AGENCY -  
MEASURE B PROGRAM  
BALANCE SHEET  
JUNE 30, 2008**

<b>ASSETS - Cash and Investments</b>	<b>\$ <u>16,720</u></b>
<b>FUND BALANCE - Reserved for Altamont Commuter Express Operations</b>	<b>\$ <u>16,720</u></b>

*The accompanying notes are an integral part of the financial statements.*

**ALAMEDA COUNTY CONGESTION MANAGEMENT AGENCY -  
 MEASURE B PROGRAM  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 YEAR ENDED JUNE 30, 2008**

**REVENUES:**

Interest	\$	43,298
ACTIA - Measure B		<u>230,333</u>
Total Revenues		<u>273,631</u>

**EXPENDITURES - Current:**

Altamont Commuter Express Operations		1,861,608
Administrative		<u>115,999</u>
Total Expenditures		<u>1,977,607</u>
Excess of Expenditures Over Revenues		(1,703,976)
Fund Balance, June 30, 2007		1,720,696
<b>Fund Balance, June 30, 2008</b>	<b>\$</b>	<b><u><u>16,720</u></u></b>

*The accompanying notes are an integral part of the financial statements.*

**ALAMEDA COUNTY CONGESTION MANAGEMENT AGENCY -  
MEASURE B PROGRAM  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**NOTE 1 – DESCRIPTION OF REPORTING ENTITY**

Measure B, approved by voters of Alameda County in 2000, authorized the imposition of an additional one-half cent sales tax to be used for transportation-related expenditures. Measure B specifies that revenues generated by the additional sales tax will not displace expenditures previously paid by property taxes, but rather will be used for additional transportation projects and programs. The Alameda County Transportation Improvement Authority (“ACTIA”) administers the additional sales tax. During the year ended June 30, 2008, Alameda County Congestion Management Agency (the “Agency”) received a portion of the sales tax proceeds from ACTIA. The Agency used these proceeds to satisfy Alameda County’s share of the operating expenses of the Altamont Commuter Express (“ACE”).

Effective July 1, 2008, the Agency, ACTIA and the San Joaquin Regional Rail Commission (the “Commission”) entered into an agreement whereby ACTIA will pay Alameda County’s share of ACE operating expenses to the Commission beginning effective July 1, 2008. The Agency is required to pay remaining unused Measure B funds to the Commission. The Agency’s Measure B Special Revenue Fund will be closed at the time of that final payment.

The Agency’s Measure B Program is included as a special revenue fund in the basic financial statements of the Agency. The accompanying financial statements of the Measure B Program present the revenues earned and related expenditures incurred under the Agency’s agreement with ACTIA. These financial statements are not intended to present the financial position and results of operations of the Agency.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying financial statements are presented on a modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they are both "measurable and available." Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related liability is incurred. The Agency did not adopt a budget for the Measure B Program for the year ended June 30, 2008.

**NOTE 3 - CASH AND INVESTMENTS**

As of June 30, 2008, the Measure B Program’s cash was pooled with other Agency cash and invested in money market funds. This investment is stated at fair value, which is determined by quoted market price. Included in investment income is the net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation of those investments. Interest earned on the investments is credited to the Measure B Program based on its average balance.

Investments authorized by the Agency's investment policy are:

- United States Treasury Bills and Notes
- Alameda County Investment Pool
- Federal Agency Obligations
- California Local Agency Investment Fund
- Savings Accounts
- Repurchase Agreements
- Certificates of Deposit
- Money Market Funds
- Medium Term Corporate Notes
- State of California and Local Agency Debt Securities

**ALAMEDA COUNTY CONGESTION MANAGEMENT AGENCY -  
 MEASURE B PROGRAM  
 SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENDITURES  
 YEAR ENDED JUNE 30, 2008**

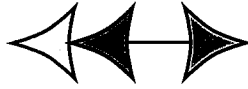
**REVENUES FROM ACTIA:**

<i>Date Received</i>	<i>For Month</i>	<i>Amount</i>
September 28, 2007	July 2007	<u>\$ 230,333</u>

**EXPENDITURES TO ALTAMONT COMMUTER EXPRESS:**

<i>Date Paid</i>	<i>For Month</i>	<i>Amount</i>
July 27, 2007	July 2007	\$ 155,134
August 22, 2007	August 2007	155,134
September 27, 2007	September 2007	155,134
October 24, 2007	October 2007	155,134
November 1, 2007	November 2007	155,134
December 6, 2007	December 2007	155,134
January 17, 2008	January 2008	155,134
February 8, 2008	February 2008	155,134
March 3, 2008	March 2008	155,134
April 4, 2008	April 2008	155,134
May 6, 2008	May 2008	155,134
June 11, 2008	June 2008	155,134
		<u>\$ 1,861,608</u>





Kevin W. Harper, CPA

## INDEPENDENT AUDITOR'S COMPLIANCE REPORT

The Board of Directors  
Alameda County Congestion Management Agency:

I have audited the financial statements of the Alameda County Congestion Management Agency (the "Agency") as of June 30, 2008, and for the year then ended, and have issued my report thereon dated July 31, 2008, that included an explanatory paragraph describing that the Agency's has entered into an agreement whereby the Alameda County Transportation Improvement Authority ("ACTIA") will no longer transfer Alameda County's share of Altamont Commuter Express operating costs to the Agency.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Agency is the responsibility of the management of the Agency. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Agency's compliance with certain provisions of the agreement dated April 1, 2002 between the Agency and ACTIA for Altamont Commuter Express operating expenses. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Agency's compliance with those requirements.

In my opinion, except for the matters noted in the accompanying schedule of findings, the Agency complied in all material respects with the provisions of Measure B as specified in the agreement referred to above. My opinion covers the period from July 1, 2007 to June 30, 2008.

This report is intended for the information of the Board of Directors, management and others within the Agency, and officials of ACTIA and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Kevin W Harper, CPA*

July 31, 2008

**ALAMEDA COUNTY CONGESTION MANAGEMENT AGENCY -  
MEASURE B PROGRAM  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008**

**Finding 1 – Administrative Costs**

The agreement dated April 1, 2002 between Alameda County Congestion Management Agency (the “Agency”) and Alameda County Transportation Improvement Authority (“ACTIA”) related to Measure B funds received for Altamont Commuter Express (“ACE”) operating costs specifies that the Agency’s administrative costs shall not exceed 5% of the annual allocation. For the year ended June 30, 2008, administrative expenses total 6.23%. This resulted in overcharges to the Measure B Program of \$22,919. The Agency’s records indicate that an additional \$76,691 of administrative costs were incurred during the year ended June 30, 2008 for staff and attorney time spent in dissolution negotiations with ACTIA.

***Recommendation***

The Agency should obtain approval from ACTIA for additional administrative expenses.

***Management Response***

Since the inception of the original 2002 Agreement between the Agency and ACTIA, the Agency’s administrative expenses have averaged between one and two percent per year. During fiscal year 2007-08, the Agency and ACTIA concluded that the process for paying the monthly Measure B operating support to ACE would be more efficient and economical if the payments were made directly from ACTIA rather than through the Agency. As a consequence, a one-time expenditure for required staff time and legal expense was incurred to draft new agreements that authorized this change. Therefore, of the total \$115,999 of administrative expenses incurred by the Agency during fiscal year 2007-08, \$78,051, or 67.3% of the total, was incurred for this purpose. Absent these unique expenses, the Agency’s normal administrative expense would have been at or below two percent. The Agency and ACTIA believe this extraordinary one-time expense will be more than offset by administrative cost savings in future years.

The new agreement between ACTIA, the Agency and San Joaquin Regional Rail Commission (SJRRRC) requires all administrative expenses incurred by the Agency for activities pursuant to its ongoing responsibilities identified in the new Agreement and the Cooperative Services Agreement between ACCMA, SJRRRC and the Santa Clara Valley Transit Authority be paid directly by the SJRRRC.

**Finding 2 – Oversight of ACE**

The agreement dated April 1, 2002 between the Agency and ACTIA related to Measure B funds received for ACE operating costs specifies that the Agency will ensure that ACE:

- Submit an independent compliance audit to ACTIA within 180 days following fiscal year end.
- Provide information on ACE’s website related to use of Measure B funds and a link to ACTIA’s website.

The Agency is unaware whether ACE submitted an independent compliance audit to ACTIA. ACE's website did not have the required information related to use of Measure B funds and a link to ACTIA's website.

***Recommendation***

The Agency should assure that ACE submits the required report of expenditures to the Agency and independent compliance audit to ACTIA. It should assure ACE places the needed Measure B funding information and link to ACTIA on its website.

***Management Response***

The Agency will assure that ACE submits the required independent compliance audit to ACTIA in the future. The Agency has contacted SJRRC staff regarding the due date of the required compliance audit for FY 2007/2008.

ACE's website had the required information related to use of Measure B funds and a link to ACTIA's website during fiscal year 2007-08. On July 1, 2008, ACE restructured its website and inadvertently removed such information. ACTIA is responsible for oversight of ACE effective July 1, 2008.