

**City of
Albany**
**Alameda County
Transportation
Commission -
Measure B Funds**
Albany, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2011

City of Albany
Alameda County Transportation Commission – Measure B Funds
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For the year ended June 30, 2011

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Draft
12/22/2011

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California

We have audited the accompanying financial statements of the Alameda County Transportation Commission - Measure B Funds (Measure B Funds) of the City of Albany, California (City), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Measure B Funds are intended to present the financial position and the changes in financial position of the Measure B Funds. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2011, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City's Measure B Funds as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California
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In accordance with *Government Auditing Standards*, we have also issued our report dated (Date), on our consideration of the City's internal control over financial reporting as it relates to the Measure B Funds 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 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 City has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not be part of the financial statements for the year presented.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
(Date)

Draft
12/22/2011

City of Albany
Alameda County Transportation Commission - Measure B Funds
Balance Sheet
June 30, 2011

	Special Revenue Funds			Total
	Alameda CTC Paratransit	Alameda CTC Streets and Roads	Alameda CTC Bike and Pedestrian	
ASSETS				
Accounts receivable	\$ 4,311	\$ 51,580	\$ 42,259	\$ 98,150
Due from other funds	10,086	-	-	10,086
Total assets	\$ 14,397	\$ 51,580	\$ 42,259	\$ 108,236
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,829	\$ 1,472	\$ -	\$ 3,301
Accrued salaries and fringe benefits	1,245	-	-	1,245
Due to other funds (Note 4)	-	52,068	34,026	86,094
Total liabilities	3,074	53,540	34,026	90,640
Fund Balances:				
Restricted for:				
Highways and streets	-	-	8,233	8,233
Community development and housing	11,323	-	-	11,323
Unassigned	-	(1,960)	-	(1,960)
Total fund balances	11,323	(1,960)	8,233	17,596
Total liabilities and fund balances	\$ 14,397	\$ 51,580	\$ 42,259	\$ 108,236

See accompanying Notes to Financial Statements.

City of Albany
Alameda County Transportation Commission - Measure B Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2011

	Special Revenue Funds			Total
	Alameda CTC	Alameda CTC	Alameda CTC	
	Paratransit	Streets and Roads	Bike and Pedestrian	
REVENUES:				
Measure B Funds	\$ 25,898	\$ 309,827	\$ 40,939	\$ 376,664
Measure B Funds - Project Specific	17,874	-	96,410	114,284
Other revenues	7	182	24	213
Total Revenues	43,779	310,009	137,373	491,161
EXPENDITURES:				
Contract operations	\$ 4,516	\$ 15,348	\$ 120,937	\$ 140,801
Non-contract operations	30,465	297,103	2,828	330,396
Capital outlay	-	-	36,571	36,571
Total Expenditures	34,981	312,451	160,336	507,768
REVENUES OVER (UNDER) EXPENDITURES	8,798	(2,442)	(22,963)	(16,607)
FUND BALANCES:				
Beginning of year	2,525	482	31,196	34,203
End of year	\$ 11,323	\$ (1,960)	\$ 8,233	\$ 17,596

See accompanying Notes to Financial Statements.

City of Albany

Alameda County Transportation Commission – Measure B Funds

Notes to the Financial Statements

For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Alameda County Transportation Commission – Measure B Funds (“Measure B Funds”) of the City of Albany, California (the “City”), are included as separate special revenue funds in the basic financial statements of the City. Measure B Funds are used to account for the City’s share of revenues earned and expenditures incurred under the City’s paratransit, local streets and roads, and bicycle and pedestrian programs. The accompanying financial statements are for Measure B Funds only and are not intended to fairly present the financial position of the City.

B. Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current periods. For this purpose, revenues are considered 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.

Measure B Sales Taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures have been incurred.

C. Description of Funds

The accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts. Special Revenue funds are funds which are used to account for revenues derived from specific sources, and for which expenditures are restricted to specific purposes. The City uses Special Revenue Funds to account for the Measure B Funds revenue and expenditures.

City of Albany
Alameda County Transportation Commission – Measure B Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

Previously the fund balances were grouped as Reserved and Unreserved Fund Balances. Effective July 1, 2010 Fund balance reclassifications were made to conform to the provisions of GASB No. 54. GASB No. 54 establishes criteria for classifying fund balances into specifically defined classifications to provide clearer hierarchy of fund balance based on constraints and to achieve consistency in reporting between Fund Financial Statements and Government-Wide Financial Statements. It applies to government reporting to government fund, therefore, it excludes proprietary funds and business-type special purposes governments. GASB 54 details five components of fund balance: Non-Spendable; Restricted; Committed; Assigned; and Unassigned. Measure B Funds reported fund balances as Restricted and Unassigned on the Balance Sheet of the Governmental Funds.

Restricted Fund Balance is the portion of fund balance constrained for specific purposes imposed by external parties, by law, or by enabling legislation legally enforceable by external parties.

Unassigned Fund Balance is the portion of fund balance that is not constrained at all.

2. CASH AND INVESTMENTS

Cash and investments are maintained on a pooled basis with those of other funds of the City. In accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. government or its agencies
- Bonds issued by the City or other local California agencies
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- Local Agency Investment Fund (State Pool) deposits
- Investment Trust of California (CalTrust)
- Repurchase agreements
- Corporate medium term notes
- Securities of the State of California or its agencies

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on the average month-end balances. The credit risk, carrying amount and market value of pooled cash and investments at June 30, 2011 is included in the Comprehensive Annual Financial Report of the City of Albany.

City of Albany
Alameda County Transportation Commission – Measure B Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

As of June 30, 2011, the Measure B Funds did not have any cash or investments pooled with other City funds.

3. RECEIVABLES

Paratransit - At June 30, 2011, receivables consist of the Alameda County Transportation Commission pass-through receivables of \$4,311.

Streets and Roads - At June 30, 2011, receivables consist of the Alameda County Transportation Commission pass-through receivables of \$51,580.

Bicycle and Pedestrian - At June 30, 2011, receivables consist of the Alameda County Transportation Commission pass-through receivables of \$6,816 and Measure B project specific grant receivables in the amount of \$35,443.

4. DUE TO OTHER FUNDS

Amounts due to other funds arise from payments of current year expenditures, utilizing General Fund and General Obligation Bond II Capital Projects Fund cash, to be reimbursed after the close of the fiscal year.

5. MEASURE B FUNDS

Under Measure B, approved by the voters of Alameda County in 1986 (Old Measure B) and in 2000, Alameda County Transportation Commission Measure B, the City receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation-related expenditures. This measure was adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid for by property taxes but, rather, would be used for additional streets and programs. The City of Albany utilizes Measure B funds to maintain existing streets and to conduct special projects designed to improve traffic flows, pedestrian safety and on-street parking. Major projects such as street repaving, traffic studies and median design are contracted to outside firms that specialize in the work to be performed. Recurring maintenance work such as pothole patching, street sign replacement and median island maintenance is performed by City maintenance workers, under the supervision of the City's Public Works Manager.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California

We have audited the financial statements of the Alameda County Transportation Commission- Measure B Funds (Measure B Funds) of the City of Albany, California (City), as of and for the year ended June 30, 2011, and have issued our report thereon dated (Date). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as it relates to the Measure B Funds as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's Measure B Funds' 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.

To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure B Funds are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, City Council, management, and the Alameda County Transportation Commission, 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

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California

(Date)

Draft
12/22/2011

INDEPENDENT AUDITORS' REPORT ON MEASURE B COMPLIANCE

To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California

Compliance and Other Matters

We have audited the City of Albany, California (City)'s compliance with the agreement between the City and Alameda County Transportation Commission applicable to Measure B 2000 funds for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States; and the agreement between the City and Alameda County Transportation Commission. Those standards and the agreement require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirement referred to above could have a material effect on Measure B 2000 funds. An audit includes examining, on test basis, evidence about the City'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 City's compliance with those requirements.

Under Measure B, approved by the voters of Alameda County in 2000, the City has received under Alameda County Transportation Commissions Measure B a total of 12 months of revenue from July 2010 through June 2011. The Local Street and Roads program has received \$309,827, the Bike and Pedestrian program has received \$137,349, and the Paratransit program has received \$43,772. This financial statement reflects twelve months of revenue for the Local Streets and Roads program, the Bike and Pedestrian program, and the Paratransit program.

In our opinion, the City is in compliance, in all material respects, with the laws and regulations, contracts, and grant requirements related to Measure B 2000 funds as specified in the agreement between the City and the Alameda County Transportation Commission for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 City's internal control over compliance.

To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California
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A deficiency in internal control over compliance 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, noncompliance 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 compliance requirement 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, and the Alameda County Transportation Commission 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.

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