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

Financial Statements and
Independent Auditors’ Reports

For the year ended June 30, 2013
City of Albany  
Alameda County Transportation Commission – Measure B Funds  
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For the year ended June 30, 2013

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INDEPENDENT AUDITORS’ REPORT

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

Report on the Financial Statements
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, 2013, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements
Management of the City is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure B Funds as of June 30, 2013, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure B Funds and do not purport to, and do not, present fairly the financial position of the City of Albany, California as of June 30, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2013, on our consideration of the City’s internal control over financial reporting in relation to 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 in considering City’s internal control over financial reporting and compliance in relation to Measure B Funds.

Badawi and Associates
Certified Public Accountants
Oakland, California
December 23, 2013
### City of Albany
### Alameda County Transportation Commission - Measure B Funds
### Combined Balance Sheets
### June 30, 2013

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Alameda CTC Streets and Roads</th>
<th>Alameda CTC Bike and Pedestrian</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ -</td>
<td>$ 275,234</td>
<td>$ 45,535</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>7,728</td>
<td>96,902</td>
<td>13,285</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 7,728</td>
<td>$ 372,136</td>
<td>$ 58,820</td>
</tr>
</tbody>
</table>

#### LIABILITIES AND FUND BALANCES

**Liabilities:**
- Accounts payable: $474, $476, $4,492, $5,442
- Due to City: 3,166

**Total liabilities:**
- $3,640, 476, 4,492, 8,608

**Fund Balances:**
- Restricted for:
  - Highways and streets: - 371,660, 54,328, 425,988
  - Transit programs: 4,088

**Total fund balances:**
- 4,088, 371,660, 54,328, 430,076

**Total liabilities and fund balances:**
- $7,728, $372,136, $58,820, $438,684

See accompanying Notes to Financial Statements.
City of Albany  
Alameda County Transportation Commission - Measure B Funds  
Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
For the year ended June 30, 2013

<table>
<thead>
<tr>
<th></th>
<th>Alameda CTC</th>
<th>Alameda CTC</th>
<th>Alameda CTC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Paratransit</td>
<td>Streets and</td>
<td>Bike and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Roads</td>
<td>Pedestrian</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure B Funds</td>
<td>$ 30,288</td>
<td>$ 379,775</td>
<td>$ 52,064</td>
</tr>
<tr>
<td>Measure B Funds - Project Specific</td>
<td>6,788</td>
<td>-</td>
<td>12,722</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>393</td>
<td>54</td>
</tr>
<tr>
<td>Other revenues</td>
<td>848</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>37,924</td>
<td>380,168</td>
<td>64,840</td>
</tr>
</tbody>
</table>

|                          |             |             |             |
| **EXPENDITURES:**        |             |             |             |
| Active Transportation Plan | -           | 8,508       | 2,129       | 10,637      |
| Complete Streets         | -           | -           | 3,541       | 3,541       |
| Santa Fe/ Marin SR2S (Pedestrian Improvement) | -           | -           | 11,383      | 11,383      |
| Federal SRTS             | -           | -           | 58          | 58          |
| Buchanan Bikeway Phase III | -           | -           | 1,314       | 1,314       |
| Bike Rack                | -           | -           | 5,587       | 5,587       |
| Paratransit GAP Program  | 10,901      | -           | -           | 10,901      |
| Paratransit Program      | 26,095      | -           | -           | 26,095      |
| **Total Expenditures**   | 36,996      | 8,508       | 24,012      | 69,516      |

| **NET CHANGE IN FUND BALANCES** | 928 | 371,660 | 40,828 | 413,416 |

| **FUND BALANCES:**        |         |         |         |
| Beginning of year         | 3,160   | -       | 13,500  | 16,660    |
| End of year               | $ 4,088 | $ 371,660 | $ 54,328 | $ 430,076 |

See accompanying Notes to Financial Statements.
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 or results of operations 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.

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

D. Fund Balance

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then use unrestricted resources as needed.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Fund Balance, Continued

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

E. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
- Overall
- Custodial Credit Risk
- Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

F. Revenues and Receivables

During the course of normal operations, the fund carries various receivable balances for taxes and interest. Revenues are recorded when received in cash, except revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the fund, are Measure B transportation commission funds.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The Measure B Funds’ cash and investments are pooled with the City’s cash and investments in order to generate optimum interest income.

The City pools its available cash for investment purposes. The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

A. Investments

Under the provisions of the City’s investment policy, and in accordance with California Government Code, the following investments are authorized:

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Maturity</th>
<th>Maximum Percentage of Portfolio</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Obligations</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Agency Securities</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Banker's Acceptance</td>
<td>180 days</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 days</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Medium - Term Notes</td>
<td>One year</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>7 days</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Investment Trust of California (CalTrust)</td>
<td>None</td>
<td>25%</td>
<td>None</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposits</td>
<td>One year</td>
<td>15%</td>
<td>None</td>
</tr>
</tbody>
</table>
2. CASH AND INVESTMENTS - Continued

B. Risk Disclosures

*Interest Risk* – Interest rate risk is the fluctuation in fair value of investment due to changes in interest rates. The City’s exposure to losses caused by rising interest rates is minimized by limiting the average maturity of the City’s investment not to exceed five years.

*Credit Risk* – Credit risk is the risk of loss of value of a security or investment due to downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio will be invested in a single security type or with a single financial institution to reduce the City’s exposure to credit risks.

*Custodial Credit Risk* – The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City’s investments were subject to custodial credit risk.

C. Local Agency Investment Fund

The City 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 balance is available for withdrawal on demand. The City’s investments with LAIF at June 30, 2013, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

*Structured Notes* are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

*Asset-Backed Securities* the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30 2013, the City invested in LAIF, which had invested 1.96% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at amortized cost, which approximates the fair value. (The fair value factor of LAIF is 1.000273207.)
3. RECEIVABLES

Paratransit - At June 30, 2013, receivables consist of the Alameda County Transportation Commission pass-through receivables of $7,728.

Streets and Roads - At June 30, 2013, receivables consist of the Alameda County Transportation Commission pass-through receivables of $96,902.

Bicycle and Pedestrian - At June 30, 2013, receivables consist of the Alameda County Transportation Commission pass-through receivables of $13,285.

4. DUE TO THE CITY

Amounts due to the City arise from payments of current year expenditures, utilizing General 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.
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INDEPENDENT AUDITOR’S 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting in relation to Measure B Funds (internal control) to determine the audit procedures that are appropriate in the circumstances 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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 entity’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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
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 City’s Measure B Funds’ financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Badawi & Associates
Certified Public Accountants
Oakland, California
December 23 2013
INDEPENDENT AUDITORS’ REPORT ON MEASURE B COMPLIANCE

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

Report on Compliance

We have audited the City of Albany, California (City)’s compliance with the types of compliance requirements described in the agreement between the City and Alameda County Transportation Commission applicable to Measure B 2000, that could have a direct and material effect on the City’s Measure B Funds, for the year ended June 30, 2013.

Management’s Responsibility

Management of the City is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Measure B Funds.

Auditor’s Responsibility

Our responsibility is to express an opinion on 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 financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the agreement between the City and Alameda County Transportation Commission applicable to Measure B 2000. Those standards and the agreement 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 the Measure B Funds. An audit includes examining, on a 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 on compliance for Measure B Funds. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Measure B Funds

In our opinion, the City complied, in all material respects, with the types of compliance requirements related to the agreement between the City and Alameda County Transportation Commission applicable to Measure B 2000 for the year ended June 30, 2013.
To the Honorable Mayor and Members of City Council
    of the City of Albany
Albany, California
Page 2

Other Matter

Under Measure B, approved by the voters of Alameda County in 2000, the City has received under Alameda County Transportation Commission Measure B a total of 12 months of revenue from July 2012 through June 2013. The Paratransit program has received $30,288, the Local Street and Roads program has received $379,775, and the Bike and Pedestrian program has received $52,064. These financial statements reflect twelve months of revenue for the Local Streets and Roads, the Bike and Pedestrian, and the Paratransit programs.

Report on Internal Control Over Compliance

Management of City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 City’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 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 program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California
Page 3

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of agreement between the City and Alameda County Transportation Commission applicable to Measure B 2000. Accordingly, this report is not suitable for any other purpose.

Badawi & Associates
Certified Public Accountants
Oakland, California
December 23, 2013