

**SUNOL SMART CARPOOL LANE
JOINT POWERS AUTHORITY**
Basic Financial Statements,
Independent Auditors' Report and
Management's Discussion and Analysis

For the Period September 20, 2010 through June 30, 2011



Kevin W. Harper CPA & Associates



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For The Period September 20, 2010 Through June 30, 2011

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Kevin W. Harper CPA & Associates

INDEPENDENT AUDITORS' REPORT

The Board of Directors

Sunol Smart Carpool Lane Joint Powers Authority:

We have audited the accompanying basic financial statements of the Sunol Smart Carpool Lane Joint Powers Authority ("Authority") as of June 30, 2011 and for the period September 20, 2010 (inception of operations) through June 30, 2011, listed in the foregoing table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2011, and the changes in its financial position and its cash flows for the period September 20, 2010 through June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Kevin W. Harper CPA & Associates

November 9, 2011

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY
Management's Discussion and Analysis
For the Period September 20, 2010 through June 30, 2011

Management has prepared the following discussion and analysis of the Sunol Smart Carpool Lane Joint Powers Authority ("Authority") financial performance which provides an overview of its financial activities for the period September 20, 2010 through June 30, 2011. Management encourages readers to consider the information presented here in conjunction with the accompanying financial statements and related notes.

Financial Highlights

- Total net assets increased by \$3,474,676 as of June 30, 2011 compared to September 20, 2010. Capital assets comprised \$2,846,109 or 82% of the total net assets at June 30, 2011.
- Toll revenue was \$628,961 during fiscal year 2011.
- The Authority's total operating expenses were \$238,999 during fiscal year 2011, mostly comprised of \$238,605 of depreciation expense on capital assets.
- Toll revenue equipment totaling \$3,084,714 was contributed by the Authority's managing agency, the Alameda County Congestion Management Agency ("ACCMA"), during fiscal year 2011.

Overview of the Basic Financial Statements

The basic financial statements of the Authority are presented as an enterprise fund, which reports all activities using the accrual basis of accounting and the economic resources measurement focus. With this basis of accounting, revenues are recorded when earned and expenses are recorded when the related liabilities are incurred. The enterprise fund is used to account for the collection of toll revenues and payment of the Authority's expenses. The financial statements provide both long- and short-term financial information and information about cash flows. The Authority's financial statements are presented as follows:

- Statement of net assets;
- Statement of revenues, expenses and changes in net assets;
- Statement of cash flows; and
- Notes to the financial statements.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY
Management's Discussion and Analysis (Continued)
For the Period September 20, 2010 through June 30, 2011

Financial Analysis

The following table presents the Authority's net assets as of June 30, 2011:

| | |
|---------------------|--------------------|
| Current Assets | \$ 628,567 |
| Capital Assets, Net | <u>2,846,109</u> |
| Total Assets | 3,474,676 |
| Total Liabilities | <u>-</u> |
| Net Assets | <u>\$3,474,676</u> |

The following table presents the Authority's change in net assets for the period ended June 30, 2011:

| | |
|--------------------------------|--------------------|
| Operating Revenue | \$ 628,961 |
| Operating Expenses | <u>238,999</u> |
| Operating Income | 389,962 |
| Capital Contribution | <u>3,084,714</u> |
| Increase in Net Assets | 3,474,676 |
| Net Assets, September 20, 2010 | <u>-</u> |
| Net Assets, June 30, 2011 | <u>\$3,474,676</u> |

The Authority began operating a toll lane on the Sunol Grade segment of southbound Interstate 680 in Alameda and Santa Clara counties on September 20, 2010. Toll lane usage increased from 23,999 trips in October, 2010 to 34,447 trips in June, 2011.

Cash increased by \$521,859. Toll revenue for the period in the amount of \$628,961 was offset by receivables in the amount of \$27,824, \$78,884 for the executive director's salary and \$394 of miscellaneous expenses. The executive director's salary was initially paid by the Authority but is to be reimbursed by the ACCMA. All other Authority expenses were paid directly by the ACCMA.

Receivables increased by \$106,708 due to toll revenues not yet collected from the Bay Area Toll Authority in the amount of \$27,824 and \$78,884 due from the ACCMA for reimbursement of the executive director salary.

Equipment increased by \$3,084,714 due to the ACCMA's contribution of toll equipment to the Authority, which had been purchased by the ACCMA with grant funds for the toll lane operations.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

Management's Discussion and Analysis (Continued)

For the Period September 20, 2010 through June 30, 2011

Capital Assets

The following table presents the Authority's capital asset activity from September 20, 2010 to June 30, 2011.

| | <i>Balance</i> | | <i>Balance</i> |
|--------------------------|------------------|------------------|------------------|
| | <i>9/20/2010</i> | <i>Additions</i> | <i>6/30/2011</i> |
| Toll Revenue Equipment | \$ - | \$ 3,084,714 | \$ 3,084,714 |
| Accumulated Depreciation | - | 238,605 | 238,605 |
| Net Book Value | \$ - | \$ 2,846,109 | \$ 2,846,109 |

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Alameda County Congestion Management Agency, 1333 Broadway, Suite 220, Oakland, California 94612.

**SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2011**

ASSETS

Current Assets:

| | | |
|------|----|---------|
| Cash | \$ | 521,859 |
|------|----|---------|

Accounts Receivable:

| | | |
|-------------------------|--|--------|
| Bay Area Toll Authority | | 27,824 |
|-------------------------|--|--------|

| | | |
|---|--|--------|
| Alameda County Congestion Management Agency | | 78,884 |
|---|--|--------|

| | | |
|----------------------|--|---------|
| Total Current Assets | | 628,567 |
|----------------------|--|---------|

| | | |
|---|--|-----------|
| Capital Assets, Net of Accumulated Depreciation | | 2,846,109 |
|---|--|-----------|

| | | |
|--------------|--|-----------|
| Total Assets | | 3,474,676 |
|--------------|--|-----------|

NET ASSETS

| | | |
|----------------------------|--|-----------|
| Invested in Capital Assets | | 2,846,109 |
|----------------------------|--|-----------|

| | | |
|--------------|--|---------|
| Unrestricted | | 628,567 |
|--------------|--|---------|

| | | |
|------------------|----|-----------|
| Total Net Assets | \$ | 3,474,676 |
|------------------|----|-----------|

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

**SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD SEPTEMBER 20, 2010 THROUGH JUNE 30, 2011**

| | |
|---------------------------------------|---------------------|
| OPERATING REVENUE | |
| Toll Charges | <u>\$ 628,961</u> |
| OPERATING EXPENSES | |
| Depreciation | 238,605 |
| Bank Charges | 214 |
| Office Supplies | 180 |
| Total Operating Expenses | <u>238,999</u> |
| Operating Income | 389,962 |
| CAPITAL CONTRIBUTION | <u>3,084,714</u> |
| Change in Net Assets | 3,474,676 |
| NET ASSETS, September 20, 2010 | <u>-</u> |
| NET ASSETS, June 30, 2011 | <u>\$ 3,474,676</u> |

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

**SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE PERIOD SEPTEMBER 20, 2010 THROUGH JUNE 30, 2011**

| | |
|--|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from Toll Charges | \$ 601,137 |
| Payments to Executive Director for Services | (78,884) |
| Payments for Administrative Fees | <u>(394)</u> |
| Net Increase in Cash | 521,859 |
| CASH, September 20, 2010 | <u>-</u> |
| CASH, June 30, 2011 | <u><u>\$ 521,859</u></u> |
| NON-CASH CAPITAL AND RELATED FINANCING ACTIVITY | |
| Equipment contributed by the Alameda County Congestion Management Agency | \$ 3,084,714 |

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

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

Notes to Basic Financial Statements

For the Period September 20, 2010 through June 30, 2011

NOTE 1- REPORTING ENTITY

The Sunol Smart Carpool Lane Joint Powers Authority (“Authority”) is a joint powers authority, organized in February 2006 pursuant to a Joint Exercise of Powers Resolution (“Resolution”) among the Alameda County Congestion Management Agency (“ACCMA”), Alameda County Transportation Improvement Authority (“ACTIA”) and the Santa Clara Valley Transportation Authority (“SCVTA”). The Resolution was entered into pursuant to the Government Code of the State of California, commencing with Section 6500. The Authority was formed to plan, design and construct and then administer the operation of a value pricing high-occupancy vehicle program on the Sunol Grade segment of southbound Interstate-680 in Alameda and Santa Clara Counties (“Project”). The Authority began operations of the Project on September 20, 2010.

The Authority’s board consists of two representatives from the ACCMA, two representatives from the ACTIA and two representatives from the SCVTA.

NOTE 2 – MANAGING AGENCY

The ACCMA is the managing agency for the Project. Its role is to manage the day to day operations of the Project on behalf of the Authority. The ACCMA provided the Authority, at no cost, with all administrative support since its inception in 2006, including office space, staff time, accounting and insurance. During the period from September 20, 2010 through June 30, 2011, the ACCMA incurred administrative and operating expenses on behalf of the Authority as follows:

| | |
|--|------------------|
| California Highway Patrol enforcement | \$169,487 |
| Executive director compensation | 149,012 |
| Bay Area Toll Authority transaction fees | 121,395 |
| ACCMA staff time charges | 115,528 |
| Legal fees | 49,942 |
| Insurance | 28,414 |
| Utilities | 19,597 |
| Other | <u>17,074</u> |
| Total | <u>\$670,449</u> |

These costs were not paid by the Authority and are not shown in the accompanying financial statements.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY
Notes to Basic Financial Statements (Continued)
For the Period September 20, 2010 through June 30, 2011

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting

All activities of the Authority are reported using the accrual basis of accounting, the economic resources measurement focus and accounting principles generally accepted in the United States of America as applicable to governmental agencies. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net assets. With this basis of accounting, revenues are reported when earned and expenses are reported when the related liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenue of the Authority is the collection of toll revenue.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private sector guidance.

Revenue Recognition

The Authority recognizes toll revenue at the time the toll lane is used, net of revenue from invalid or stolen tags, equipment malfunctions, and violations dismissed in court.

Net Assets

Net assets are reported in the following categories:

- Invested in capital assets – This category includes all capital assets reduced by accumulated depreciation. The Authority has no capital-related debt.
- Unrestricted net assets – This category represents net assets of the Authority that are not restricted for any project or other purpose.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

Notes to Basic Financial Statements (Continued)

For the Period September 20, 2010 through June 30, 2011

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

State law requires all toll revenues to be used only for programs and projects that benefit the owners of the vehicles paying the tolls. The Board has designated \$150,000 of net assets for replacement of toll equipment (including hardware and software) and \$100,000 for roadway rehabilitation.

Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and related disclosures. Accordingly, actual results may differ from those estimates.

NOTE 4 – CASH

The Authority had \$521,859 cash in the bank at June 30, 2011. The Authority has not adopted an investment policy. It follows the investment policy of its managing agency.

Cash held in banks is entirely collateralized by the bank holding the deposit. California laws requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for all municipal deposits. This collateral remains with the institution, but is considered to be held in the Authority's name and places the Authority ahead of general creditors of the institution.

Custodial credit risk is the risk that in the event a financial institution or counterparty fails, the Authority would not be able to recover the value of its deposits and investments. At June 30, 2011, the Authority's cash deposits were insured up to \$250,000 by the Federal Depository Insurance Corporation and the remainder was collateralized by the financial institution's trust department in the Authority's name.

NOTE 5 – CAPITAL ASSETS

Equipment costing \$5,000 or more and having a useful life of more than one year is recorded in the statement of net assets at historical cost. Capital assets are depreciated using the straight line method over estimated useful lives of five to twenty years.

SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY
Notes to Basic Financial Statements (Continued)
For the Period September 20, 2010 through June 30, 2011

NOTE 5 – CAPITAL ASSETS (Continued)

Capital asset balances at June 30, 2011, and activity during the period September 20, 2010 through June 30, 2011 were as follows:

| | <i>Balance 9/20/2010</i> | <i>Additions</i> | <i>Balance 6/30/2011</i> |
|--------------------------|------------------------------|--------------------|------------------------------|
| Toll Revenue Equipment | \$ - | \$3,084,714 | \$3,084,714 |
| Accumulated Depreciation | - | (238,605) | (238,605) |
| Net Book Value | <u>\$ -</u> | <u>\$2,846,109</u> | <u>\$2,846,109</u> |

Toll equipment additions of \$3,084,714 during the year were contributed by the ACCMA. This equipment was previously purchased by the ACCMA with grant funding for the toll lane operations.

NOTE 6 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The following is a list of insurance purchased by the ACCMA that covers the Authority's operations:

| <i>Type of Coverage</i> | <i>Deductible/ Self Insured Retention</i> | <i>Coverage</i> |
|-------------------------|---|-------------------|
| General Liability | \$10,000 | Up to \$2,000,000 |
| Excess Liability | \$ - | Up to \$1,000,000 |
| Employment Practices | \$35,000 | Up to \$1,000,000 |
| Director & Officers | \$25,000 | Up to \$1,000,000 |