

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY



## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

**SUNOL SMART CARPOOL LANE  
JOINT POWERS AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Sunol Smart Carpool Lane Joint Powers Authority  
Oakland, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Sunol Smart Carpool Lane Joint Powers Authority (Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management 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. 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 Authority, as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages four through seven be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California

November 20, 2015

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## MAP OF I-680 SUNOL SMART CARPOOL LANE



# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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Management has prepared the following discussion and analysis of the Sunol Smart Carpool Lane Joint Powers Authority (the Authority) financial performance, which provides an overview of its financial activities for the fiscal year ended June 30, 2015. Management encourages readers to consider the information presented here in conjunction with the accompanying financial statements and related notes.

### Financial Highlights

- Total net position increased by \$0.40 million or 10.28 percent from \$3.87 million to \$4.27 million as of June 30, 2015 compared to June 30, 2014. This increase is mostly due to a decrease in accrued liabilities related to a reversal of a prior year accrual. Capital assets comprised \$1.95 million or 45.71 percent of the total net position at June 30, 2015.
- For the year ended June 30, 2015, cash and cash equivalents increased by \$0.03 million or 1.11 percent from \$2.63 million to \$2.66 million. This increase is mostly attributed to an increase in operating revenue over fiscal year 2014.
- Operating revenue was \$2.07 million during fiscal year 2015, an increase of \$0.08 million or 4.23 percent over fiscal year 2014.
- The Authority's total operating expenses were \$1.67 million during fiscal year 2015, a decrease of \$0.46 million or 21.72 percent from fiscal year 2014. This decrease is mostly due to a reversal of a prior year accrual for maintenance costs. Operating expenses for fiscal year 2015 were primarily comprised of \$1.43 million of program operations and maintenance costs.

### 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-term and short-term financial information and information about cash flows. The Authority's financial statements are presented as follows:

- Statement of Net Position;
- Statement of Revenues, Expenses and Changes in Net Position;
- Statement of Cash Flows; and
- Notes to the financial statements.

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### Financial Analysis

The following table presents the Authority's net position as of June 30, 2015 and June 30, 2014:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current assets	\$ 2,851,544	\$ 3,066,054
Capital assets, net	<u>1,951,027</u>	<u>2,149,830</u>
Total assets	4,802,571	5,215,884
Total liabilities	<u>(534,582)</u>	<u>(1,345,888)</u>
Net position	<u>\$ 4,267,989</u>	<u>\$ 3,869,996</u>

The following table presents the Authority's change in net position for the fiscal year ended June 30, 2015 and the period ended June 30, 2014:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating revenue	\$ 2,069,075	\$ 1,985,016
Operating expenses	<u>1,671,082</u>	<u>2,134,627</u>
Operating income	397,993	(149,611)
Capital contribution	-	5,608
Increase (decrease) in net position	<u>397,993</u>	<u>(144,003)</u>
Net position, beginning of period	3,869,996	4,013,999
Net position, end of period	<u>\$ 4,267,989</u>	<u>\$ 3,869,996</u>

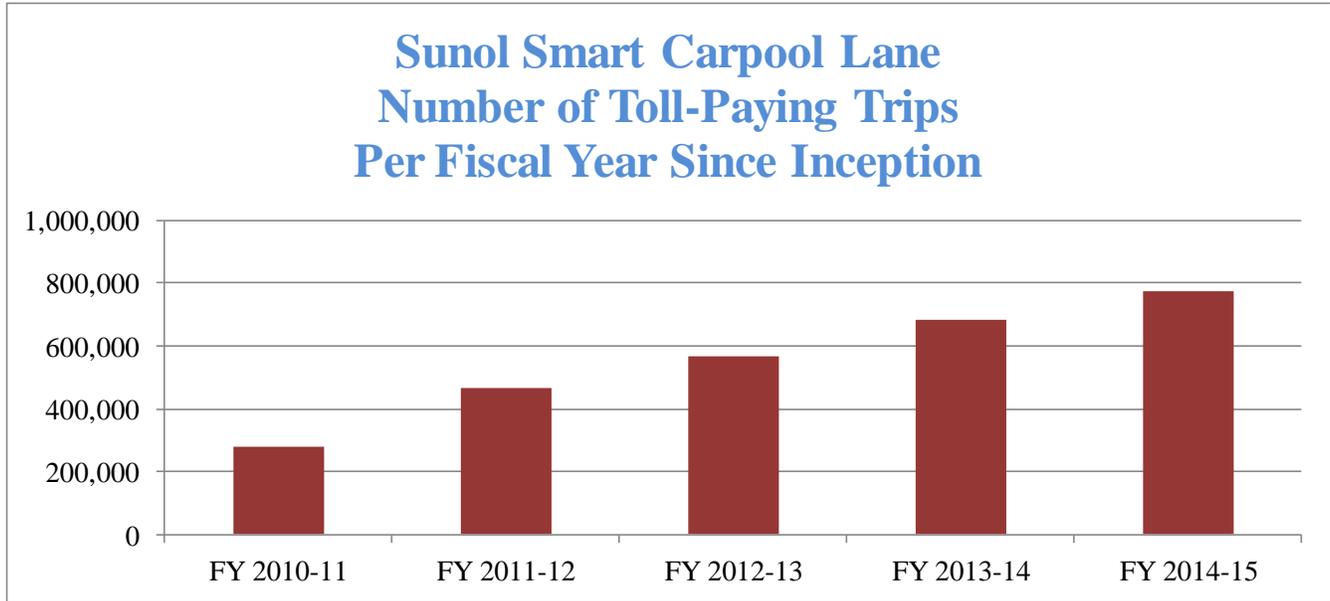
While the Alameda CTC continues as the managing agency, it does not fund administrative support costs on behalf of the Authority. Accordingly, these costs were included in the Statement of Revenues, Expenses, and Changes in Net Position (see Note 3 to the financial statements for a more detailed explanation).

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. Since operations began, monthly toll lane usage has tripled, going from 24,298 trips in October 2010 to 74,562 trips in June 2015.

**SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The following chart demonstrates the trips that have been taken in the toll lane by fiscal year since inception in September 2010.



Cash increased by \$29.2 thousand or 1.1 percent. Revenues for the period, including tolls and other revenue in the amount of \$2,069.1 thousand plus the change in prepaid expenses of \$39.7 thousand and receivables of \$204.0 thousand, were offset by \$1,431.8 thousand of operations and maintenance expenses and \$40.5 thousand of net capital asset acquisition costs plus the change in liabilities of \$811.3 thousand.

**Capital Assets**

The following table presents the Authority's capital asset activity from June 30, 2014 to June 30, 2015:

	June 30, 2014	Additions	Deletions	June 30, 2015
Toll revenue equipment	\$ 3,090,322	\$ 48,921	\$ (19,641)	\$ 3,119,602
Accumulated depreciation	(940,492)	(239,306)	11,223	(1,168,575)
Net book value	<u>\$ 2,149,830</u>	<u>\$ (190,385)</u>	<u>\$ (8,418)</u>	<u>\$ 1,951,027</u>

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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### **Comparison of Budget to Actual**

Prior to each fiscal year, the Authority adopts a budget for the coming year. The adopted operating revenue budget for fiscal year 2015 was \$2,049.0 thousand. Actual operating revenues were \$2,069.1 thousand, which was \$20.1 thousand or 1.0 percent higher than budget.

The adopted operating expense budget including depreciation was \$2,388.6 thousand. Actual operating expenses were \$1,671.1 thousand, which was \$717.5 thousand or 30.0 percent less than budget.

The adopted capital budget for both revenue and expense was \$1,400.0 thousand. Actual capital revenue and expense was \$0.0 because the expected capital project, an automated toll violation enforcement system, was not initiated in fiscal year 2015.

### **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 information provided in this report or requests for additional financial information should be addressed to Arthur Dao, Executive Director, or Patricia Reavey, Director of Finance and Administration, of the Alameda County Transportation Commission at 1111 Broadway, Suite 800, Oakland, California 94607.

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## STATEMENT OF NET POSITION JUNE 30, 2015

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### ASSETS

Cash	\$ 2,658,404
Accounts receivable	185,386
Prepaid expenses	7,754
Capital assets, net of accumulated depreciation	<u>1,951,027</u>
Total Assets	<u>4,802,571</u>

### LIABILITIES

Accounts payable	1,078
Accrued liabilities	<u>533,504</u>
Total Liabilities	<u>534,582</u>

### NET POSITION

Net investment in capital assets	1,951,027
Unrestricted	<u>2,316,962</u>
Total Net Position	<u>\$ 4,267,989</u>

The accompanying notes are an integral part of these financial statements.

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

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### OPERATING REVENUES

Toll charges	\$ 1,935,586
Other revenues	133,489
Total operating revenue	<u>2,069,075</u>

### OPERATING EXPENSES

Depreciation expense	239,306
Operations and maintenance	1,431,776
Total operating expenses	<u>1,671,082</u>
Change in net position	397,993
<b>Net Position - Beginning</b>	<u>3,869,996</u>
<b>Net Position - Ending</b>	<u>\$ 4,267,989</u>

The accompanying notes are an integral part of these financial statements.

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

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### CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 2,273,100
Payments to suppliers for goods and services	(2,203,358)
Cash flow from operating activities	<u>69,742</u>

### CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(40,503)
Net change in cash and cash equivalents	<u>29,239</u>
Cash and Cash Equivalents - Beginning	2,629,165
Cash and Cash Equivalents - Ending	<u>\$ 2,658,404</u>

### RECONCILIATION OF OPERATING INCOME

#### TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 397,993
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	239,306
Changes in assets and liabilities:	
Decrease in receivables	204,025
Decrease in prepaid expenses	39,724
Decrease in liabilities	(811,306)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 69,742</u>

The accompanying notes are an integral part of these financial statements.

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 1 – REPORTING ENTITY

The Sunol Smart Carpool Lane Joint Powers Authority (the Authority) is a joint powers authority, organized in February 2006 pursuant to a Joint Powers Agreement among the Alameda County Congestion Management Agency (ACCMA), Alameda County Transportation Improvement Authority (ACTIA), and the Santa Clara Valley Transportation Authority. As of July 1, 2010, ACCMA and ACTIA have been succeeded by the Alameda County Transportation Commission (Alameda CTC) which has all of the powers and responsibilities of the former agencies. The Agreement was entered into pursuant to the Government Code of the State of California, commencing with Section 6500. The Authority was formed to plan, design, construct, and administer the operations of a value pricing high-occupancy vehicle program on the Sunol Grade segment of southbound Interstate 680 in Alameda and Santa Clara Counties. The Authority began operating the toll lane on September 20, 2010. Members of the Authority’s Board of Directors are elected officials representing Alameda and Santa Clara Counties.

### NOTE 2 – MANAGING AGENCY

Alameda CTC is the managing agency. From its inception in 2006, the Alameda CTC provided all administrative support including office space, staff time, accounting, and insurance. While the Alameda CTC continues as the managing agency, it ceased funding these administrative support costs on behalf of the Authority as of July 1, 2012. Accordingly, these costs are included in the Statement of Revenues, Expenses, and Changes in Net Position. Throughout fiscal year 2015, Alameda CTC continued to subsidize operations and maintenance of the Sunol Smart Carpool Lane with local grant funding through its I-680 Southbound HOT Lane Project. During the fiscal year ended June 30, 2015, the Alameda CTC incurred operations and maintenance expense on behalf of the Authority as follows:

Express Lane Maintenance	\$	(190,000)
Project Management/Controls		55,908
IT Support		74,755
Insurance		57,140
System Manager/Operations Support		(8,009)
Legal Fees		10,347
Miscellaneous		14,069
Utilities		12,899
Total	\$	<u>27,109</u>

These costs are paid by the Authority and the funding of grant revenue and the expenses are shown as operating revenue and operating expenses, respectively, in the accompanying financial statements. Negative amounts included in operations and maintenance costs incurred by the Alameda CTC are due to the reversals of prior year accruals for operations and maintenance.

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation and Accounting**

All activities of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting, in accordance with 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 operations are included on the Statement of Net Position, and 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.

Operating expenses of the Authority are made up of administrative costs, depreciation, and operations and maintenance costs. Since inception of the Authority, the Alameda CTC as the managing agency has provided administrative support and subsidized operations and maintenance costs of the Sunol Smart Carpool Lane through its I-680 Southbound HOT Lane Project. The Alameda CTC will continue to cover some costs related to operations and maintenance while utilization of the Sunol Smart Carpool Lane grows to a sustainable level and the Authority is considered solvent. However, as of July 1, 2012, the managing agency no longer funds the Authority's administrative support costs. Accordingly, these costs as well as all other operations and maintenance costs incurred by the Authority are included in the Statement of Revenues, Expenses, and Changes in Net Position beginning July 1, 2012.

The Authority adheres to accounting principles issued by the Governmental Accounting Standards Board (GASB).

#### **Revenue Recognition**

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

#### **Net Position**

Net position is reported in the following categories:

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

State law requires all toll revenues to be used only for programs and projects that benefit the owners of the vehicles paying the tolls within the corridor. The Board has designated \$300,000 of net position for replacement of toll equipment (including hardware and software) and \$200,000 for roadway rehabilitation.

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### 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 \$2,658,404 cash in the bank as of June 30, 2015. 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 percent of the deposit or first trust deed mortgage notes with a value of 150 percent 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, 2015, the Federal Depository Insurance Corporation insured the Authority's cash deposits up to \$250,000 and the financial institution's trust department collateralized the remainder 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 reported in the Statement of Net Position at historical cost. Capital assets are depreciated using the straight-line method over estimated useful lives of five to twenty years.

Capital asset balances at June 30, 2015, and activity for the year then ended, are as follows:

	June 30, 2014	Additions	Deletions	June 30, 2015
Toll revenue equipment	\$ 3,090,322	\$ 48,921	\$ (19,641)	\$ 3,119,602
Accumulated depreciation	(940,492)	(239,306)	11,223	(1,168,575)
Net book value	<u>\$ 2,149,830</u>	<u>\$ (190,385)</u>	<u>\$ (8,418)</u>	<u>\$ 1,951,027</u>

# SUNOL SMART CARPOOL LANE JOINT POWERS AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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 covering operations:

Type of coverage	Deductible	Limits	
General Liability	\$ 5,000	\$ 10,000,000	
Public Officials and Employee Errors	5,000	10,000,000	General Aggregate
Personal Liability (Commissioners)	5,000	500,000	General Aggregate
Employment Practices Liability	35,000	10,000,000	General Aggregate
Employee Benefits Liability	5,000	10,000,000	General Aggregate
Auto Liability	5,000	10,000,000	
Employee Dishonesty	5,000	400,000	
Uninsured/Underinsured Motorists	5,000	1,000,000	
Property	5,000	1,000,000,000	
Boiler and Machinery	varies	1,000,000,000	
Excess General Liability	-	5,000,000	

No claims exceeded coverage limits over the past three years.