

City of Albany

Measure F Alameda County Vehicle Registration Fee Fund

Albany, California

*Financial Statements and
Independent Auditors' Reports
For the year ended June 30, 2014*

City of Albany
Measure F Alameda County Vehicle Registration Fee Fund
Financial Statements
For the year ended June 30, 2014

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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 Measure F Alameda County Vehicle Registration Fee Fund (VRF Fund) of the City of Albany, California (City) as of and for the year ended June 30, 2014, and the related notes to the financial statements.

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.

Auditors' 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.

To the Honorable Mayor and Members of City Council
of the City of Albany
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the VRF Fund of the City of Albany as of June 30, 2014, and the respective 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 VRF Fund and do not purport to, and do not, present fairly the financial position of the City of Albany, California as of June 30, 2014, 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 29, 2014, on our consideration of the City's internal control over financial reporting in relation to VRF Fund 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 VRF Fund.



Badawi & Associates
Certified Public Accountants
Oakland, California
December 29, 2014

City of Albany
Measure F Alameda County Vehicle Registration Fee Fund
Balance Sheet
June 30, 2014

	<u>Total</u>
ASSETS:	
Cash and Investments	\$ 13,826
Intergovernmental receivables	<u>14,497</u>
Total assets	<u>\$ 28,323</u>
LIABILITIES AND FUND BALANCE:	
Accounts payable	\$ 8,391
Total liabilities	<u>8,391</u>
Fund Balance:	
Restricted	<u>19,932</u>
Total fund balance	<u>19,932</u>
Total liabilities and fund balance	<u>\$ 28,323</u>

See accompanying Notes to Financial Statements.

City of Albany
Measure F Alameda County Vehicle Registration Fee Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the year ended June 30, 2014

	<u>Total</u>
REVENUES:	
Measure F revenues	\$ 80,853
Interest income	35
Total revenues	<u>80,888</u>
EXPENDITURES:	
Personnel services	3,896
Capital outlay	64,154
Total expenditures	<u>68,050</u>
REVENUES OVER (UNDER)	
EXPENDITURES	<u>12,838</u>
FUND BALANCE:	
Beginning of year	<u>7,094</u>
End of year	<u>\$ 19,932</u>

See accompanying Notes to Financial Statements.

City of Albany
Measure F Alameda County Vehicle Registration Fee Fund
Notes to Financial Statements
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Measure F Alameda County Vehicle Registration Fees are reported in a special revenue fund (VRF Fund) of the City of Albany, California (City). The special revenue fund is included as part of the State Construction and Maintenance fund in the basic financial statements of the City. The Fund is used to account for the City's revenues earned and expenditures incurred under the City's various street maintenance and construction projects. The accompanying financial statements are for the VRF Fund only and are not intended to fairly present the financial position of the City.

B. Basis of Accounting

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available, and expenditures are recorded when the related liabilities are incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus, wherein only current assets and current liabilities generally are included on the balance sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

C. Fund Accounting

The operations of the VRF Fund are accounted for as part of the State Construction and Maintenance Fund. Funds are separate accounting entities with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenditures.

D. 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.

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.

City of Albany
Measure F Alameda County Vehicle Registration Fee Fund
Notes to Financial Statements, Continued
For the year ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash, Cash Equivalents and Investments, Continued

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 F vehicle registration fees.

2. MEASURE F ALAMEDA COUNTY VEHICLE REGISTRATION FEES

The Measure F Alameda County Vehicle Registration Fee (VRF) Program was approved by the voters in November 2010, with 63 percent of the vote. The fee will generate about \$10.7 million per year by a \$10 per year vehicle registration fee. The collection of the \$10 per year vehicle registration fee started in the first week of May 2011.

The goal of the VRF program is to sustain the County's transportation network and reduce traffic congestion and vehicle related pollution. The program includes four categories of projects:

- Local Road Improvement and Repair Program (60 percent)
- Transit for Congestion Relief (25 percent)
- Local Transportation Technology (10 percent)
- Pedestrian and Bicyclist Access and Safety Program (5 percent)

City of Albany
Measure F Alameda County Vehicle Registration Fee Fund
Notes to Financial Statements, Continued
For the year ended June 30, 2014

3. CASH AND INVESTMENTS

The VRF Fund's 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:

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

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments were stated at fair value using the aggregate method in all funds and component units. The City's investments are carried at fair market value as required by generally accepted accounting principles. The City accounts for all changes in fair value that occurred during the year and are reflected in the fund balance for the fiscal year. These investment value changes are unrealized since the City's policy is to hold and buy investments until maturity dates.

City of Albany
Measure F Alameda County Vehicle Registration Fee Fund
Notes to Financial Statements, Continued
For the year ended June 30, 2014

3. 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, 2014, 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 2014, the City invested in LAIF, which had invested 1.86% 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 1.00029875.)

4. INTERGOVERNMENTAL RECEIVABLES

The intergovernmental receivables represent the Measure F VRF revenues for the fiscal year received from the Alameda County Transportation Commission after June 30, 2014.



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, 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 Measure F Alameda County Vehicle Registration Fee Fund (VRF Fund) of the City of Albany, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2014.

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 VRF Fund (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 VRF 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 29, 2014



INDEPENDENT AUDITORS' REPORT ON MEASURE F VEHICLE REGISTRATION FEE 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 F Alameda County Vehicle Registration Fee Fund (VRF Fund), that could have a direct and material effect on the City's VRF Fund, for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the VRF Fund.

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 F Alameda County Vehicle Registration Fee Fund. 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 VRF Fund. 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 VRF Fund. 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 the VRF Fund for the year ended June 30, 2014.

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

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 the agreement between the City and Alameda County Transportation Commission applicable to the VRF Fund. Accordingly, this report is not suitable for any other purpose.



Badawi & Associates
Certified Public Accountants
Oakland, California
December 29, 2014