CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
June 30, 2011 AND 2010

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CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
Financial Statements
For the Fiscal Years Ended June 30, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council, and City Auditor
of the City of Alameda
Alameda, California

We have audited the accompanying financial statements of the Alameda Metropolitan Transportation Commission Grant (the Program) of the City of Alameda, California, as of and for the year ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards prescribed by the Transportation Development Act and the Regional Measure One Toll Bridge Fund. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Program of the City and are not intended to present fairly the financial position of the City and the results of its operations and cash flows of its proprietary fund types in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Program as of June 30, 2011 and 2010, and the results of the operations and cash flows for the Fund for the years then ended in conformity with generally accepted accounting principles in the United States of America.

As discussed in Note 5 to the financial statements, the ferry service of the City of Alameda was transferred to the San Francisco Bay Area Water Emergency Transportation Authority on April 29, 2011.

Maze & Associates

October 25, 2011

CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
STATEMENTS OF NET ASSETS
June 30, 2011
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2010

	2011		
	Ferry Service	Bicycle Paths and Pedestrian	2010
ASSETS			
Cash			$25
Accounts Receivable:			
Metropolitan Transportation Commission (Note 3)		$40,000	152,658
Port of Oakland			30,212
WETA	$30,827		262,352
Prepaid Assets			83,931
Capital assets, net of depreciation (Note 5)			8,063,680
Total Assets	30,827	40,000	8,592,858
LIABILITIES			
Accounts Payable	2,680		209,524
Due to City of Alameda	27,278	40,000	96,458
Deferred revenue	869		17,003
Accrued Vacation			6,760
Refundable deposits			25
Total Liabilities	30,827	40,000	329,770
NET ASSETS			
Invested in Capital Assets			8,063,680
Restricted for Grant Programs			199,408
Total Net Assets			$8,263,088

See accompanying notes to financial statements

CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAMS
STATEMENTS OF REVENUES AND EXPENSES
FERRY SERVICE PROGRAM
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Charges for services	$222	
Miscellaneous	130,875	$250
Total Operating Revenues	131,097	250
OPERATING EXPENSES		
Ferry services	2,798,945	3,600,604
Marketing and promotion	8,549	25,699
Rental	52,319	56,921
Utilities	4,773	8,589
Depreciation (Note 5)	488,689	488,689
Supplies and miscellaneous	1,339	20,087
Total Operating Expenses	3,354,614	4,200,589
Operating Loss	(3,223,517)	(4,200,339)
NONOPERATING REVENUES		
Metropolitan Transportation Commission Grants (Note 2)	1,785,700	1,488,231
Measure B	799,465	565,776
WETA	632,104	761,518
Port of Oakland		70,649
Bay Area Air Quality Management District		91,122
Transportation Improvement Fund	429,028	616,882
Other miscellaneous revenue	3,876	117,539
Total Nonoperating Revenues	3,650,173	3,711,717
NONOPERATING EXPENSES		
Transfer to WETA (Note 5)	(8,686,462)	
Interest expenses	(3,282)	(344)
Net Income (Loss)	(8,263,088)	(488,966)
Beginning Net Assets	8,263,088	8,752,054
Ending Net Assets		$8,263,088

See accompanying notes to financial statements

CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAMS
STATEMENTS OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
BICYCLE PATHS AND PEDESTRIAN PROJECTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
REVENUES		
TDA Article 3.0 (Note 3)	$40,000	
Total Revenues	40,000	
EXPENDITURES		
Professional services	40,000	
Total Expenditures	40,000	
EXCESS OF REVENUES OVER EXPENDITURES		
Fund Balance Beginning of Year		
Fund Balance at end of Year		

See accompanying notes to financial statements

CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
STATEMENTS OF CASH FLOWS
FERRY SERVICE PROGRAM
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	($3,223,517)	($3,438,821)
Add back depreciation to reconcile operating loss to cash flows from operating activities	488,689	488,689
Increase (decrease) in accounts payable	(206,844)	65,889
Increase (decrease) in deferred revenues	(16,134)	17,003
Increase (decrease) in accrued vacation	(6,760)	6,760
(Increase) decrease prepaid assets	83,931	135,613
Increase (decrease) in refundable deposits	(25)	
Cash Flows From Operating Activities	(2,880,660)	(2,724,867)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants and Contributions	4,060,692	2,862,448
Receipts from (payments to) the City of Alameda	(69,180)	(203,191)
Other miscellaneous revenue	3,876	117,539
Interest paid	(3,282)	(344)
Cash Flows From Nonoperating Activities	3,992,106	2,776,452
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets (Note 5)	(801,447)	(51,560)
Transfer to WETA (Note 5)	(310,024)	
Cash Flows From Capital and Related Activities	(1,111,471)	(51,560)
NET CASH FLOW	(25)	25
CASH AT BEGINNING OF PERIOD	25	
CASH AT END OF PERIOD		$25

See accompanying notes to financial statements

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alameda developed and administered the Ferry Service Program to provide ferry services to area residents, from Alameda to Oakland and San Francisco. This Program was funded through grants received from the Metropolitan Transportation Commission under Regional Measure One Toll Bridge allocations and the Port of Oakland and the City of Alameda. This program was transferred to the San Francisco Bay Area Water Emergency Transportation Authority on April 29, 2011, as discussed in Note 5. These grants were on a reimbursement basis.

The Bike Paths and Pedestrian Project is accounted for in these financial statements as part of the Fund used to account for financial resources to be used on the project.

The Bike Paths and Pedestrian Project are accounted for using the modified accrual basis of accounting, under which revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized when the related liability is incurred.

A. Basis of Accounting

Basis of accounting refers to the period when revenues and expenses or expenditures are recognized. The Ferry Service Program is presented in these statements as an enterprise fund in accordance with requirements of Public Utilities Code Section 99243. Enterprise funds are those funds which are used to account for operations which are operated in a manner similar to private business enterprises.

The operations of the Ferry Service Program are accounted for as part of the Ferry Enterprise Fund of the City. The Program is organized on the basis of funds, each of which is a separate accounting entity with a set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenses as appropriate.

Ferry Service Program operations are accounted for using the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when incurred. The Program is part of the City and is included in the enterprise funds of the basic financial statements.

Grant revenues for the Ferry Service Program are reimbursement based and are recognized as earned when the related costs have been incurred. Any excess of grant receipts over expenses is accounted for as deferred revenue.

The Bike Paths and Pedestrian Project is accounted for in these financial statements as part of the Fund which is used to account for financial resources to be used for the project.

The Bike Paths and Pedestrian Project is accounted for using the modified accrual basis of accounting under which revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized when the related liability is incurred.

NOTE 2 – FERRY SERVICES METROPOLITAN TRANSPORTATION COMMISSION GRANT REVENUES

Metropolitan Transportation Commission grant revenues are recognized as earned when the related costs have been incurred. Grant receipts collected in excess of reimbursable costs are accounted for as deferred revenue. During the year ended June 30, 2011, the City incurred eligible costs and earned reimbursements under the following Transportation Development Act and Regional Measure One Toll Bridge grants:

Allocation Instruction Number/Program Name	2011	2010
09386107	$208,256	
10392002		$393,487
10392003		1,049,000
10392006	356,000	10,744
Bay Bridge Closure October 09		35,000
11396602	1,015,355	
11396603	123,263	
11396605	68,000	
11396606	14,826	
11396607		
	$1,785,700	$1,488,231

NOTE 3 - TDA ARTICLE 3.0 REVENUE

During the year ended June 30, 2011, the City received allocation instructions from the Metropolitan Transportation Commission for the following projects:

Instruction#	Project Name	Grant Award	Receivable
09001038	Bike Plan Update	$40,000	$40,000
		$40,000	$40,000

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts to be immaterial.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

NOTE 5 – TRANSFER OF FERRY SERVICE

On February 25, 2011, the City of Alameda (the City), the Alameda Reuse and Redevelopment Authority (ARRA), and the San Francisco Bay Area Water Emergency Transportation Authority (WETA) entered into a Ferry Service Operations Transfer Agreement (the Agreement) in which the City and ARRA agreed to transfer the Alameda/Oakland Ferry Service and the Alameda/Harbor Bay Ferry Service to WETA. Under the Agreement, the City conveyed its unspent cash from Ferry operations and water side ferry operations assets; such as ferries, pilings, ramps, floats, and channel markers; assigned its grant, service and other contracts; assigned certain access rights and transferred obligations arising from Ferry operations to WETA. The City, ARRA and other entities retain landside assets such as rip-rap, shorelines and trails, parking lots and Ferry Terminals. On April 29, 2011 escrow closed and Ferry Services were transferred to WETA.

ARRA agreed to sell its title and interest in the YC Float, a barge, to WETA for $90,000, plus closing costs. As of June, 30, 2011, title to the YC float was transferred to WETA for its use. However, escrow has not yet been closed due to pending certain improvements.

Both the City and WETA have post-transfer continuing obligations which are summarized below:

Post- transfer administrative costs: WETA is to reimburse the City for certain costs incurred after escrow closes.

Infrastructure Maintenance and Capital Program costs: WETA is obligated to reimburse the City for certain maintenance and capital costs of the landside assets; as well as maintenance expenses the City incurs on waterside assets. Costs associated with remediation of any environmental conditions are excluded.

During fiscal 2010-11, WETA reimbursed the City $402,953 for the Alameda Ferry Service Spare Vessels capital project, $152,638 for the transition plan, and $76,513 for other eligible reimbursable capital projects and operating costs.

TIF/LLAD Equivalents: The City has a continuing obligation to remit up to $500,000 annually in certain Traffic Improvement Funds and up to $78,194 in certain Lighting and Landscape District Funds to WETA for its use in subsidizing costs. During fiscal 2010-11, the City remitted $115,514 to WETA for TIF moneys.

NOTE 5 – TRANSFER OF FERRY SERVICE (Continued)

As of June 30, 2011, the City had conveyed its ferry service assets to WETA, as shown in the table below:

	Balance at June 30, 2010	Additions and retirements	Balance at June 30, 2011 before transfer	Conveyed from City to WETA	Balance at June 30, 2011 after transfer
Ferry Enterprise Fund Nondepreciable Capital Assets					
CIP #90931 - Bay Breeze Engine	-	$79,004	$79,004	($79,004)	-
CIP #90932 - Harbor Bay Barge Replacement	-	707,617	707,617	(707,617)	-
CIP #91035 - Peralta Port Radar	-	14,826	14,826	(14,826)	-
Total nondepreciable capital assets		801,447	801,447	(801,447)	-
Ferry Enterprise Fund Depreciable Capital Assets					
Ferry boat bay breeze	$3,602,490		3,602,490	(3,602,490)	-
Ferry boat east end express II	1,153,657		1,153,657	(1,153,657)	-
Ferry boat encinal	2,375,000		2,375,000	(2,375,000)	-
Ferry boat - peralta	5,500,000		5,500,000	(5,500,000)	-
Marine transmission	63,551		63,551	(63,551)	-
Marine transmission	63,551		63,551	(63,551)	-
Diesel engine - peralta	274,704		274,704	(274,704)	-
Diesel engine - peralta	274,704		274,704	(274,704)	-
Ferry generator	51,563		51,563	(51,563)	-
Less: accumulated depreciation	(5,295,540)	(488,689)	(5,784,229)	5,784,229	-
Net depreciable capital assets	8,063,680	(488,689)	7,574,991	(7,574,991)	-
Total	$8,063,680	$312,758	$8,376,438	($8,376,438)	

In addition, the City had conveyed the following cash balances to WETA, as shown in the table below as of June 30, 2011:

Ferry Enterprise Fund Cash Transfer	
Alameda/Oakland Operating Fund Balance	$261,833
Alameda Harbor Bay Operating Fund Balance	48,193
Reserve TIF	115,514
Reserve Measure B	1,231,499
	$1,657,039

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor, Members of the City Council, and City Auditor
of the City of Alameda
Alameda, California

We have audited the financial statements of the Alameda Metropolitan Transportation Commission Grant (the Program) of the City of Alameda, California, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Alameda is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of 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. Our procedures included the applicable audit procedures contained in §6666 non-transit and §6667 transit of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission. 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.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control, which is an integral part of our audit and should be read in conjunction with this report.

This report is intended solely for the information and use of the Metropolitan Transportation Commission, management, City Council, others within the City, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

October 25, 2011