

**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

Table of Contents

| | <u>Page</u> |
|--|--------------------|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Statements of Net Assets | 2 |
| Statements of Revenues and Expenses – Ferry Service Program..... | 3 |
| Statements of Revenues, Expenditures and Changes in Fund Balance Bicycle Paths and Pedestrian Project..... | 4 |
| Statements of Cash Flows – Ferry Service Program | 5 |
| Notes to Financial Statements | 7 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 11 |

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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

| ASSETS | 2011 | | 2010 |
|---|------------------|---------------------------------|-------------|
| | Ferry Service | Bicycle Paths and Pedestrian | |
| 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

| | <u>2011</u> | <u>2010</u> |
|---|-------------------------|---------------------------|
| OPERATING REVENUES | | |
| Charges for services | \$222 | |
| Miscellaneous | <u>130,875</u> | <u>\$250</u> |
| Total Operating Revenues | <u>131,097</u> | <u>250</u> |
| 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 | <u>1,339</u> | <u>20,087</u> |
| Total Operating Expenses | <u>3,354,614</u> | <u>4,200,589</u> |
| Operating Loss | <u>(3,223,517)</u> | <u>(4,200,339)</u> |
| 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 | <u>3,876</u> | <u>117,539</u> |
| Total Nonoperating Revenues | <u>3,650,173</u> | <u>3,711,717</u> |
| NONOPERATING EXPENSES | | |
| Transfer to WETA (Note 5) | (8,686,462) | |
| Interest expenses | <u>(3,282)</u> | <u>(344)</u> |
| Net Income (Loss) | (8,263,088) | (488,966) |
| Beginning Net Assets | <u>8,263,088</u> | <u>8,752,054</u> |
| Ending Net Assets | <u><u>8,263,088</u></u> | <u><u>\$8,263,088</u></u> |

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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CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
Notes to Financial Statements

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.

CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
Notes to Financial Statements

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.

CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
Notes to Financial Statements

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.

CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
Notes to Financial Statements

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 |
|---|-----------------------------|------------------------------|--|----------------------------------|---|
| <i>Ferry Enterprise Fund Nondepreciable Capital Assets</i> | | | | | |
| 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) | - |
| <i>Ferry Enterprise Fund Depreciable Capital Assets</i> | | | | | |
| 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:

| | |
|---|--------------------|
| <i>Ferry Enterprise Fund Cash Transfer</i> | |
| 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 |
| | <u>\$1,657,039</u> |

**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