

City of Albany Transportation Development Act Article III Fund

Albany, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2011

City of Albany

Transportation Development Act Article III Fund

For the year ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Transportation Development Act Article III Program (TDA Program) of the City of Albany, California (City), as of and for the year ended June 30, 2011, as listed in the foregoing 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 auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

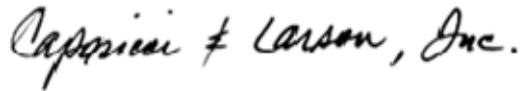
As described in Note 1, the financial statements of the TDA Program are intended to present the financial position, and changes in financial position of only that portion of the City of Albany, California that is attributable to the TDA Program. They do not purport to, and do not present fairly the financial position of the City as of June 30, 2011 and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Program as of June 30, 2011 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report and considered in assessing the results of our audits.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information that accounting principles generally accepted in the United States of America has determined is necessary to supplement the basic financial statements. The management of the TDA Program has elected to omit this information for this financial reporting year.

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Caporicci & Larson, Inc
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 29, 2011

City of Albany
Transportation Development Act Article III Fund
Balance Sheet
June 30, 2011

	Capital Projects Fund
ASSETS	
Grants receivable	\$ -
Total assets	<u>\$ -</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Due to other fund	\$ -
Total liabilities	<u>-</u>
Total fund balances	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>

See accompanying Notes to the Financial Statements.

City of Albany
Transportation Development Act Article III Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Capital Projects Fund
REVENUES:	
TDA Article 3	\$ 34,354
Total revenues	34,354
EXPENDITURES:	
Capital outlay	34,354
Total expenditures	34,354
REVENUES OVER (UNDER) EXPENDITURES	-
FUND BALANCES:	
Beginning of year	-
End of year	\$ -

See accompanying Notes to the Financial Statements.

City of Albany

Transportation Development Act Article III Fund

Notes to the Financial Statements

For the year ended June 30, 2011

1. DESCRIPTION OF REPORTING ENTITY

Reporting Entity - The City of Albany, California (City) Transportation Development Act Article III Funds (TDA Funds) include the financial activities associated with allocation instruction number 08001092 funded by the State of California Transportation Development Act (TDA). The State of California created a local transportation fund for each County funded by a portion of the State sales tax.

The TDA Funds are distributed through the Metropolitan Transportation Commission (MTC) which is the agency responsible for allocation of funds to eligible claimants within the greater San Francisco Bay Area.

The use of TDA Funds is part of the City operations and is included in the Comprehensive Annual Financial Report of the City.

The financial statements are intended to present the financial position and results of operation for the TDA Funds, and not those of the City as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting - The accounts of the TDA Fund for the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting - The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or "current financial resources" measurement focus. Accordingly, 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.

All governmental fund types are accounted for using the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred.

City of Albany
Transportation Development Act Article III Fund
Notes to the Financial Statements, Continued
For the year ended June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Funds are apportioned based on an annual claims filed by the City and approved by the Metropolitan Transportation Commission. Such funds are received on a reimbursement basis.

Revenue Recognition – Under the terms of the various grant agreements, the TDA Funds generally recognize revenues when approved expenditures are incurred.

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.

3. TRANSPORTATION DEVELOPMENT ACT FUNDS

Under the Transportation Development Act of 1971 (TDA), the City receives an annual appropriation of local transportation funds generated within Alameda County to help meet its capital requirements of its transportation program.

The Buchanan Bicycle and Pedestrian Project was the only project funded in part by Article III monies for the fiscal year ended June 30, 2011.

**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 the accompanying financial statements of the Transportation Development Act Article III Program (TDA Program) of the City of Albany, California (City) as of and for the year ended June 30, 2011, as listed in the foregoing table of contents and have issued our report thereon dated December 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States 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

In planning and performing our audit, we considered the TDA Program's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TDA Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the TDA Program'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the TDA Program's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TDA Program's 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 statements. 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, City Council, Management, and the Metropolitan Transportation Commission, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson, Inc.

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Certified Public Accountants
San Francisco, California
December 29, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

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

Compliance

We have audited the City of Albany's, California (City) compliance with *Section 6666 of the Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987 (the Act)* and the allocation instructions and resolutions of the Metropolitan Transportation Commission for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on the 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; the *Section 6666 of the Rules and Regulations of the California Administrative Code in the Transportation Development Act Statutes and Administrative Code for 1987 (the Act)*, issued by the State of California, and the allocation instructions and resolutions of the Metropolitan Transportation Commission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the City has occurred. 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

Internal Control Over Compliance

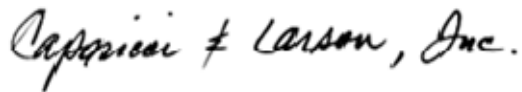
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our 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 the City's internal control over compliance.

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

A deficiency in internal control over compliance 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, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Caporicci & Larson, Inc." in a cursive, slightly slanted script.

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December 29, 2011