CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
June 30, 2010 AND 2009

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CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
Financial Statements
For the Fiscal Years Ended June 30, 2010 and 2009

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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, 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 position of the Program as of June 30, 2010, and the results of the operations and cash flows for the Fund for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the Program will continue as a going concern. As discussed in Note 5 to the financial statements, the City of Alameda and the Water Emergency Transportation Authority (WETA) are working collaboratively to transfer the Program from the City to WETA. The date of the physical ferry transfer is expected to be in January 2011. The accompanying financial statements do not include any adjustments that might result from the transfer.

Maze & Associates

October 1, 2010

CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
STATEMENTS OF NET ASSETS
JUNE 30, 2010
WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2009

	2010	2009
ASSETS		
Cash	$25	
Accounts Receivable:		
Metropolitan Transportation Commission	152,658	$289,226
Port of Oakland	30,212	41,558
WETA	262,352	144,226
Prepaid Assets	83,931	219,544
Capital assets, net of depreciation (Note 3)	8,063,680	8,500,809
Total Assets	8,592,858	9,195,363
LIABILITIES		
Accounts Payable	209,524	143,635
Due to City of Alameda	96,458	299,649
Deferred revenue	17,003	
Accrued Vacation	6,760	
Refundable deposits	25	25
Total Liabilities	329,770	443,309
NET ASSETS		
Invested in Capital Assets	8,063,680	8,500,809
Restricted for Grant Programs	199,408	251,245
Total Net Assets	$8,263,088	$8,752,054

See accompanying notes to financial statements

CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAMS
FERRY SERVICE PROGRAM
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
WETA	$761,518	
Miscellaneous	250	$571,808
Total Operating Revenues	761,768	571,808
OPERATING EXPENSES		
Ferry services	3,600,604	3,103,373
Marketing and promotion	25,699	127,226
Rental	56,921	52,863
Utilities	8,589	7,205
Depreciation (Note 3)	488,689	488,689
Supplies and miscellaneous	20,087	35,081
Total Operating Expenses	4,200,589	3,814,437
Operating Loss	(3,438,821)	(3,242,629)
NONOPERATING REVENUES		
Metropolitan Transportation Commission Grants (Note 2)	1,488,231	1,836,593
Measure B	565,776	907,151
Port of Oakland	70,649	83,122
Bay Area Air Quality Management District	91,122	
Transportation Improvement Fund	616,882	67,631
Other miscellaneous revenue	117,539	18,445
Total Nonoperating Revenues	2,950,199	2,912,942
NONOPERATING EXPENSES		
Interest expenses	344	2,069
Net Income (Loss)	(488,966)	(331,756)
Beginning Net Assets	8,752,054	9,083,810
Ending Net Assets	$8,263,088	$8,752,054

See accompanying notes to financial statements

CITY OF ALAMEDA
METROPOLITAN TRANSPORTATION COMMISSION GRANT PROGRAM
FERRY SERVICE PROGRAM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	($3,438,821)	($3,242,629)
Add back depreciation to reconcile operating loss to cash flows from operating activities	488,689	488,689
Increase (decrease) in accounts payable	65,889	(226,410)
Increase (decrease) in deferred revenues	17,003	(39,693)
Increase (decrease) in accrued vacation	6,760	
(Increase) decrease prepaid assets	135,613	(219,544)
Cash Flows From Operating Activities	(2,724,867)	(3,239,587)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants and Contributions	2,862,448	3,021,021
Receipts from (payments to) the City of Alameda	(203,191)	202,190
Other miscellaneous revenue	117,539	18,445
Interest paid	(344)	(2,069)
Cash Flows From Nonoperating Activities	2,776,452	3,239,587
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(51,560)	
Cash Flows From Capital and Related Activities	(51,560)	
NET CASH FLOW	25	
CASH AT BEGINNING OF PERIOD		
CASH AT END OF PERIOD	$25	

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alameda developed and administers the Ferry Service Program to provide ferry services to area residents, from Alameda to Oakland and San Francisco. This Program is 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. Ferry services are provided by a third party operator under contract to the City.

The ARRA Station Area Plan Project is funded through grants received from the Metropolitan Transportation Commission under Funding Grant Agreement between Metropolitan Transportation Commission and Alameda Reuse and Redevelopment Authority dated September 1, 2005.

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.

NOTE 2 - 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, 2010, 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	2010	2009
07376010		$41,069
08382007		96,139
09386103		450,000
09386102		1,053,546
09386106		144,868
09386108		40,914
Spare the Air		8,175
Spare the Air		1,882
10392002	$393,487	
10392003	1,049,000	
10392006	10,744	
Bay Bridge Closure October 09	35,000	
	1,488,231	1,836,593

NOTE 3 - CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2010, were as follows:

	Balance June 30, 2009	Additions	Balance June 30, 2010
Computer equipment	$15,498		$15,498
Ferry boats	13,292,160	$51,560	13,343,720
	13,307,658	51,560	13,359,218
Less accumulated depreciation	(4,806,849)	(488,689)	(5,295,538)
Net capital assets	$8,500,809	($437,129)	$8,063,680

The Ferry Program owns and operates four ferry boats and related computer equipment. Depreciation is provided using the straight-line method over a thirty-year life for the ferry boats and a five-year life for the computer equipment.

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.

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 January 1, 2008, the State of California's Senate Bill 976 became law repealing prior legislation that created the San Francisco Bay Area Water Transportation Authority and established a new agency, the Water Emergency Transit Authority (WETA). The WETA has specified powers and duties, including but not limited to, taking over the City of Alameda's Ferry Service Program operation and facilities and coordinating the emergency activities of water transportation on the bay.

The primary purpose of the WETA is to operate a comprehensive nine county San Francisco Bay Area regional public water transportation system, transforming current water transportation services in the Bay Area into a primary emergency response provider and to expedite the expansion of ferry service on San Francisco Bay. The new authority will acquire, own, lease, construct and operate water transit vessels and equipment, including but not limited to, real and personal property, and equipment and any facilities of the authority (excepting those under the direction of the Golden Gate Bridge District and national parks system).

The law requires that the WETA prepare and adopt both an emergency water transportation management system plan and a transition plan to govern the consolidation of publicly operated ferry services and specifies in part that all real and personal property, including terminals, ferries, vehicles or facilities, parking facilities for passengers and employees, and buildings and facilities used to operate, maintain, and manage the ferry services be transferred to WETA consistent with the transition plan.

The impact of the law to the City of Alameda's Ferry Service Program may include, but is not limited to the transfer of ownership of the City's ferries and ferry assets; transfer of grant funding for current and future transit operation and capital funding and financial impact to transit-oriented development projects currently underway and planned for the future.

"Clean up" legislation to this law, Senate Bill 1093 (Wiggins), was approved and enacted into law on September 27, 2008 clarifying the planning, management, and operations responsibilities of the water transportation services vested in the WETA.

NOTE 5 – TRANSFER OF FERRY SERVICE (Continued)

The new law prohibits the WETA from compelling property transfers or operational changes on or before the adoption of the plan and extends the date by which WETA must adopt a transition plan from January 1, 2009 to July 1, 2009. Additionally it requires that the transition plan include, in part, descriptions of proposed changes to existing operations, services responsibilities and liabilities, and for all changes to be consistent with ferry service provided by the City of Alameda, and to ensure that the changes are consistent with the city's general and redevelopment plans and agreements for the city's downtown and waterfront. The law also protects Alameda's investment in the vessels and facilities by requiring that the transition plan identify explicitly the plan for compensating Alameda if a transfer of assets is proposed.

The City of Alameda and the WETA are working collaboratively as the required transition plan has been adopted by the WETA Board and it extends the date of the physical ferry transfer to January 2011.

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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*

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, 2010, and have issued our report thereon dated October 1, 2010. 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

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 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.

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 1, 2010