

City of Albany

Transportation Development Act Fund

Albany, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2012

**City of Albany Transportation Development Act Fund
Financial Statements
For the year ended June 30, 2012**

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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 Fund (TDA Fund) of the City of Albany, California (City), as of and for the year ended June 30, 2012, 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.

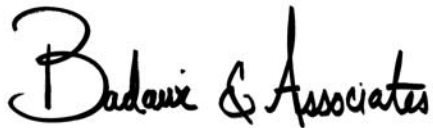
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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, the financial statements of the TDA Fund are intended to present the financial position, the changes in financial position and cash flows, where applicable, of the TDA Fund. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2012, or the changes in its financial position or cash flows 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 Fund as of June 30, 2012, the respective changes in financial position and cash flows, where applicable, 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
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In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2014, on our consideration of the City's internal control over financial reporting as it relates to the TDA 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* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi & Associates
Certified Public Accountants
Oakland, California
February 25, 2014

City of Albany
Transportation Development Act Fund
Balance Sheet
June 30, 2012

ASSETS

Intergovernmental receivables	\$	11,804
Total assets	\$	<u>11,804</u>

**LIABILITIES AND
FUND BALANCES**

Liabilities:

Due to general fund	\$	11,804
Deferred revenues		<u>11,804</u>
Total liabilities		<u>23,608</u>

Fund Balances:

Unassigned		<u>(11,804)</u>
Total liabilities and fund balances	\$	<u>11,804</u>

See accompanying Notes to Financial Statements.

City of Albany
Transportation Development Act Fund
Statement of Revenues, Expenditures and Change in Fund Balances
For the Fiscal Year Ended June 30, 2012

Revenues:

TDA Revenues	\$ -
	<hr/>
Total Revenues	-
	<hr/>

Expenditures:

Capital improvement	11,804
	<hr/>
Total Expenditures	11,804
	<hr/>
Net change in fund balances	(11,804)
	<hr/>

Fund Balances:

Beginning of year	-
	<hr/>
End of year	\$ (11,804)
	<hr/> <hr/>

See accompanying Notes to Financial Statements.

City of Albany Transportation Development Act Fund
Notes to Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The City of Albany (City) has developed the Handicap Ramps Program under the Transportation Development Act (TDA), Article 3.0 which provides funding for such purpose. The Program is funded by the Metropolitan Transportation Commission (MTC). All transactions of the Transportation Development Act Fund (TDA Fund) of the City of Albany (City) are included as a separate special revenue fund in the basic financial statements of the City. The financial statements are intended to present the TDA Fund, and not the financial position and the changes in fund balances of the City as a whole.

B. *Basis of Accounting and Measurement Focus*

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available (generally 60 days after year-end), 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 TDA Fund are accounted for in a separate special revenue fund. The fund is a separate accounting entity with a set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenses.

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.

City of Albany Transportation Development Act Fund
Notes to Financial Statements
For the year ended June 30, 2012

2. TDA ARTICLE 3.0 REVENUES

As of June 30, 2012 the City received allocation instructions from the Metropolitan Transportation Commission for the following project:

<u>Project Name</u>	<u>Allocation Instruction #</u>	<u>Grant</u>	<u>2012</u>
Ocean View Elementary School Pedestrian / Bicycle Capital Improvements	12001066	11,804	11,804



**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 financial statements of the Transportation Development Act Fund (TDA Fund) of the City of Albany, California (City), as of and for the year ended June 30, 2012, and have issued our report thereon dated February 25, 2014. 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 TDA Fund 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 it relates to the TDA Fund as a basis for designing our auditing 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the TDA Fund'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.

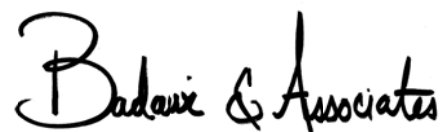
To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Fund are free of material misstatement, we performed tests of its compliance with certain provision 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-01.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the entity, 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. However, this report is a matter of public record and its distribution is not limited.



Badawi & Associates
Certified Public Accountants
Oakland, California
February 25, 2014



INDEPENDENT AUDITORS' REPORT ON TRANSPORTATION DEVELOPMENT ACT FUND 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, California (City) Transportation Development Act Fund (TDA Program)'s 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 TDA Act)* and the allocation instructions and resolutions of the Metropolitan Transportation Commission for the year ended June 30, 2012. 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.

As described in item Finding 2012-01 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the cost principles that are applicable to its TDA program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its TDA program for the year ended June 30, 2012.

To the Honorable Mayor and Members of City Council

of the City of Albany
Albany, California
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Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on the TDA program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the TDA Act, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiency in internal control over compliance that we consider to be a material weakness.

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 the TDA 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 the TDA program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item Finding 2012-01 to be a material weakness.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

To the Honorable Mayor and Members of City Council

of the City of Albany
Albany, California
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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 "Badawi & Associates". The lettering is cursive and fluid, with a large initial 'B'.

Badawi & Associates
Certified Public Accountants
Oakland, California
February 25, 2014

City of Albany Transportation Development Act Fund
Schedule of Findings and Questioned Costs
For the year ended June 30, 2012

Finding 2012-01 Cost Principles, Control Activities and Compliance

Condition:

The City used estimated hours of employees' time to allocate personnel costs to the TDA grants.

Criteria:

According to the grant agreement and the Office of Management and Budget Circular A-87, personnel costs should be supported by time studies or personnel activities reports/functional timecards.

Cause:

The City was not aware of this grant requirement.

Context and Effect:

The personnel costs requested for reimbursement were not properly supported by time studies or personnel activities reports.

Questioned Costs:

Based on the testing results, we estimated that the personnel costs which were not supported by functional timecards were approximately \$7,807.

Recommendation:

We recommend that the City use functional timecards for all employees charging time to the grant to support its personnel expenditures.

View of Responsible Officials and Planned Corrective Action:

The Staff Time associated with the \$7,807 in costs transpired between July 2011 and December 2011. The calculation of costs used a combination of allocated time and monthly hour tracking by the employee, which was not a signed formal document. In 2011, the City implemented a new payroll system which includes a project accounting module. This system can be used to track and record staff costs by project, provided the information is tracked on a regular basis as part of the normal time keeping task. Staff will implement a process using functional timesheets which incorporate the following:

- (a) The functional timesheet will reflect for each employee, actual time on the grant funded activity.
- (b) The functional timesheet will account for the total time the employee is compensated (whether part of the grant activity or other activities).
- (c) The functional timesheet will coincide with one or more pay periods, and must be completed at least monthly.
- (d) The functional timesheet must be signed by the employee and shall also be reviewed by a Supervisor.