

**ALAMEDA COUNTY TRANSPORTATION
IMPROVEMENT
AUTHORITY**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2006**

ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

The Governing Board of the
Alameda County Transportation Improvement Authority:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Alameda County Transportation Improvement Authority (ACTIA) as of and for the year ended June 30, 2006, which collectively comprise ACTIA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ACTIA's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from ACTIA's 2005 financial statements which expressed an unqualified opinion on the financial statements of the governmental activities and each major fund.

We conducted our audit in accordance with the 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of ACTIA as of June 30, 2006, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Government Auditing Standards*, we have also issued a report dated October 4, 2006, on our consideration of ACTIA's internal control over financial reporting 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 the 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements of ACTIA, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ACTIA's basic financial statements. The combining schedules of projects and programs listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of ACTIA. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Varrinek, Trine, Day & Co., LLP.

Pleasanton, California
October 4, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Alameda County Transportation Improvement Authority (Authority or ACTIA), we offer readers of ACTIA's financial statements this narrative overview and analysis of the financial activities of ACTIA for the Fiscal Year Ended June 30, 2006 (FYE 2006). We encourage readers to consider the information presented here in conjunction with ACTIA's financial statements that follow this section.

ACTIA began collecting sales tax revenues on April 1, 2002. In the first two year of operation, ACTIA relied on ACTA for the financing of start-up cost and administrative infrastructure. In FYE 2005, ACTIA repaid all start-up loans, organized its own administrative infrastructure and has emerged as a financially viable transportation authority to deliver on the commitments outlined in the Authority's 20-Year Transportation Expenditure Plan.

FINANCIAL HIGHLIGHTS

ACTIA's overall financial position continued to improve in the fourth full year of collections. As of June 30, 2006, ACTIA has improved its net assets position from \$75 million to \$108 million. In prior year, FYE 2005, the Authority saw an improvement in net assets from \$59 million to \$75 million. These improvements maintain the Authority's favorable position in which it can fund upcoming capital and programmatic commitments without seeking outside financing, for the immediate future.

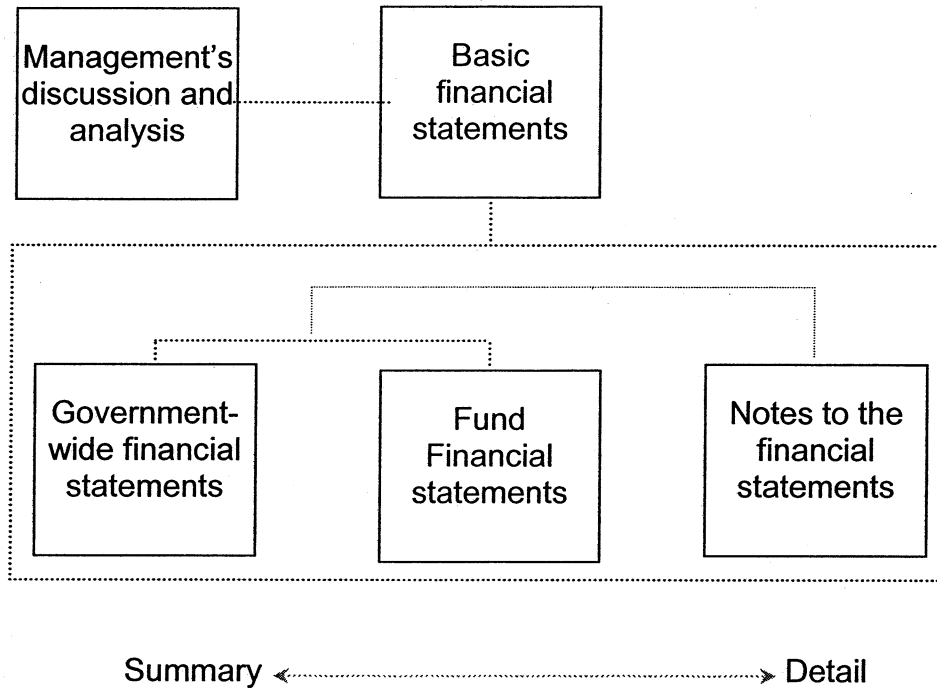
In FYE 2006, the Authority posted revenues of \$115 million, including sales tax revenues of \$111 million, which was an 11% improvement over prior year. ACTIA's total expenditures for FYE 2006 were \$81.6 million, including \$4.9 million for administration, \$3.8 million for Highways and Streets, \$40.2 million for Public Transit, and \$32.8 million for Local Transportation. A total of \$88.5 million and \$77.7 were expended in FYE 2005 and FYE 2004, respectively. The expenditures reflect the continuing development of capital projects and programs over the past three year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the management's discussion and analysis (this section), and the basic financial statements, including the government-wide financial statements, statements for the general and governmental funds, and budgetary comparison statements. The basic financial statements include two kinds of statements that present different views of ACTIA:

- The government-wide statements include the statement of net assets and the statement of activities, which provides a summary of both the expenses and revenues by function or program.
- The next statements are governmental fund statements, that provide a summary of the following:
 - Balance sheet showing the assets and liabilities by governmental fund type;
 - Statement of revenues, expenditures and changes in fund balances, again by governmental fund type; (and reconciliation to the statement of activities); and
 - Budgetary comparison statements for the general and special revenue funds.

Figure A-1
The Alameda County Transportation Improvement Authority
Required Components of the Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of ACTIA’s financial statements, including the portion of ACTIA activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.