

**ACCOUNTANCY CORPORATION**

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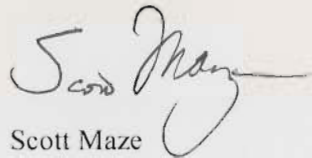
December 28, 2005

Alameda County Transportation Improvement Authority  
Tess Lengyel  
426 17th Street  
Oakland, CA 94612

Dear Tess:

We are pleased to enclose two copies of the City of Newark Alameda County Transportation Improvement Authority Measure B 2000 Funds Financial Statements for the year ended June 30, 2005.

Very truly yours,



Scott Maze

SM:kp

CITY OF NEWARK  
ALAMEDA COUNTY TRANSPORTATION  
IMPROVEMENT AUTHORITY  
MEASURE B 2000 FUNDS  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2005

**CITY OF NEWARK  
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY  
MEASURE B 2000 FUNDS**

**Financial Statements  
For the Year Ended June 30, 2005**

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## INDEPENDENT AUDITOR'S REPORT

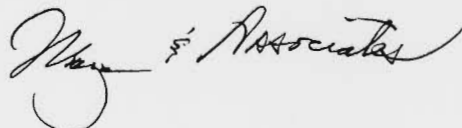
Honorable Mayor, Members of the City Council  
of the City of Newark, California

We have audited the financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds of the City of Newark, California) as of and for the year ended June 30, 2005 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 for 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 as to 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 Measure B Funds and are not intended to present fairly the financial position of the City and the results of its operations 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 Measure B Funds at June 30, 2005 and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles in the United States of America.



December 7, 2005

CITY OF NEWARK  
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY - MEASURE B 2000 FUNDS  
BALANCE SHEET  
JUNE 30, 2005

	MEASURE B 2000 PROGRAMS & PROJECTS			ACTA 1986 Measure B Funds	Totals
	Paratransit	Street and Roads	Bikes and Pedestrians		
<b>ASSETS</b>					
Cash and Investments (Note 2)	\$49,650		\$34,745		\$84,395
Total Assets	\$49,650		\$34,745		\$84,395
<b>LIABILITIES</b>					
Due to City of Newark		\$218,307		\$12,240	\$230,547
Total Liabilities		218,307		12,240	230,547
<b>FUND BALANCE</b>					
Unreserved:					
Designated for Capital Projects	\$49,650	(\$218,307)	\$34,745	(\$12,240)	(\$146,152)
Total Liabilities and Fund Balance	\$49,650		\$34,745		\$84,395

See accompanying notes to financial statements

CITY OF NEWARK  
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY - MEASURE B 2000 FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2005

	Measure B 2000 Programs and Projects				Totals
	Paratransit	Street & Roads	Bikes and Pedestrians	1986 ACTA Measure B	
<b>REVENUES</b>					
Measure B Revenue -- current year allocations (Note 3)	\$152,084 ✓	\$358,399 ✓	\$106,405 ✓	\$3,273	\$620,161
Charges for services	9,629				9,629
Other	27,500				27,500
Total Revenues	<u>189,213</u>	<u>358,399</u>	<u>106,405</u>	<u>3,273</u>	<u>657,290</u>
<b>EXPENDITURES</b>					
Public Works		159,386	145,354	10,351	315,091
Recreation	182,180				182,180
Total Expenditures	<u>182,180</u>	<u>159,386</u>	<u>145,354</u>	<u>10,351</u>	<u>497,271</u>
EXCESS OF REVENUES OVER EXPENDITURES	7,033	199,013	(38,949)	(7,078)	160,019
BEGINNING FUND BALANCES	<u>42,617</u>	<u>(417,320)</u>	<u>73,694</u>	<u>(5,162)</u>	<u>(306,171)</u>
ENDING FUND BALANCES	<u>\$49,650</u>	<u>(\$218,307)</u>	<u>\$34,745</u>	<u>(\$12,240)</u>	<u>(\$146,152)</u>

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- AW 2/13/06*

**CITY OF NEWARK**  
**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY – MEASURE B FUNDS**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

All paratransit transactions of the Alameda County Transportation Authority - Measure B Funds (Measure B Funds) of the City of Newark, California (City), are included in a project account within the City's General Fund and all other Measure B funded projects are recorded in separate special revenue funds in the basic financial statements of the City. Measure B Funds are used to account for the City's share of revenues earned and expenditures incurred under the City's Measure B program.

**B. Basis of Accounting**

The accompanying financial statements are prepared on the modified accrual basis of accounting. Revenues are generally recorded when measurable and available, 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 sheets. Operating statements of governmental funds present increased (revenues and other financing sources) and decreased (expenditures and other financing uses) in net current assets.

**C. Description of Funds**

The accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts.

The following funds are used to account for Measure B activities:

*General Fund* - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this Fund are property taxes, sales taxes, unrestricted revenues from the State, fines and forfeitures and interest income. Expenditures are made for public safety and the other services not required to be accounted for in another fund.

*Special Revenue Funds* - To account for the proceeds of specific revenues (other than for capital projects) that are legally restricted to be expended for specified purposes (specifically, the paratransit program).

**NOTE 2 – CASH AND INVESTMENTS**

Cash and investments are maintained on a pooled basis with those of other funds of the City. Pooled cash and investments consist of deposit with banks, and participation in the California Local Agency Investment Fund. All investments are stated at fair value. Pooled investment earnings are allocated monthly based on the average monthly cash and investment balances of the various funds are related entities of the City. See the City's Comprehensive Annual Financial Report for disclosures related to cash and investments.

**CITY OF NEWARK**  
**ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT AUTHORITY – MEASURE B FUNDS**  
**Notes to Financial Statements**

**NOTE 3 – MEASURE B FUNDS**

Measure B, approved by the voters of Alameda County in 2000, accounts for a pro-rata share of the one-half cent sales tax, funds to be collected for duration of 20 years. The restrictive use of this fund coupled with the formation of a Citizens Watchdog Committee embraces the principle of accountability. The categories of this fund are sub-divided as follows:

- Paratransit
- Local Streets and Roads
- 75% Bicycle and Pedestrian Safety

Projects funded by Measure B were as follows:

*Paratransit Program* -To provide transit services for the elderly and the handicapped.

*Local Streets and Roads* – To repair various streets around the City.

*Bike and Pedestrian* – To provide sidewalk and ADA improvements and to implement the bikeway network.

*1986 Measure B* – Prior to Measure B 2000, voters approved the prior Measure in 1986, which was used to improve, repair, and overlay City streets. As of June 30, 2005, this program was replaced by the above programs funded under Measure B 2000.

From a pool of funds held by the County, 10.45% is allocated for distribution as a subsidy to cities with paratransit programs. Funds allocated to the City for the paratransit program are received separately from funds received for capital projects, and they are recorded in a project account within the General Fund.

An additional 20.34% of the pool is allocated among the cities in the County, based on the cities' populations and the number of roads within their city limits for other transportation-related projects. Funds allocated for streets and roads; bike safety and pedestrian safety are recorded as a special revenue fund.

**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, if any, to be immaterial.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MEASURE B 2000 FUNDS  
AND INTERNAL CONTROL OVER COMPLIANCE**

Honorable Mayor and City Council  
City of Newark, California

***Compliance***

We have audited the compliance of the City of Newark with the certain requirements described in an Agreement with the Alameda County Transportation Improvement Authority dated June 13, 2002 that are applicable to its Measure B Funds for the year ended June 30, 2005. Compliance with the requirements of laws, regulations, contracts and grants applicable to its Measure B Funds 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 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 noncompliance with the compliance requirements referred to above that could have a direct and material effect on Measure B Funds 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 on the City's compliance with those requirements.

In our opinion, the City of Newark complied, in all material respects, with the requirements referred to above that are applicable to its Measure B Funds for the year ended June 30, 2005.

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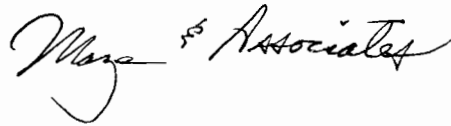
***Internal Control Over Compliance***

City management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Measure B Funds. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on Measure B Funds in order to determine our auditing procedures for the purpose of expressing our opinion on compliance.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE B  
FUNDS AND INTERNAL CONTROL OVER COMPLIANCE (Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to Measure B Funds audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Mary & Associates". The signature is written in black ink and is positioned to the right of the text "This report is intended for the information and use of the City Council, management, others within the City and operating agencies and is not intended to be and should not be used by anyone other than these specified parties."

December 7, 2005