

**CITY OF ALAMEDA, CALIFORNIA**  
**BASE REUSE FUNDS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**CITY OF ALAMEDA, CALIFORNIA**

**BASE RESUSE FUNDS  
FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the City Council  
and City Auditor of the City of Alameda  
City of Alameda, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Base Reuse Special Revenue Fund and Base Reuse Debt Service Fund (Funds) of the City of Alameda, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Funds of the City as of June 30, 2015, and the changes in financial position and the budgetary comparison statement for the Base Reuse Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the City of Alameda, California, as of June 30, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis schedules for the Funds that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of the City's internal control over financial reporting of the Funds 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* in considering the City's internal control over financial reporting and compliance.

*Vavrinik, Trine, Day & Co. LLP*

Sacramento, California  
December 28, 2015

**CITY OF ALAMEDA, CALIFORNIA  
BASE REUSE FUNDS  
JUNE 30, 2015**

**Fund Financial Statements**

***Base Reuse Special Revenue Fund***

This fund accounts for the revenues from leasing activities and grants. Expenditures are made for base reuse activities.

**Base Reuse Debt Service Fund**

The 2003 Variable Rate Demand Revenue Bonds were issued in December 2003 by the Alameda Public Financing Authority to refund the 1999 Base Reuse Revenue Bonds and to finance professional land use planning and other activities required in the redevelopment process at Alameda Point. The debt will be repaid solely from lease revenues related to base reuse.

**CITY OF ALAMEDA, CALIFORNIA  
 BASE REUSE FUNDS  
 BALANCE SHEET  
 JUNE 30, 2015**

	Base Reuse Special Revenue Fund	Base Reuse Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 6,365,942	\$ 18,967	\$ 6,384,909
Restricted cash and investments	-	2,518	2,518
Accounts receivable	9,026	-	9,026
Total Assets	<u>\$ 6,374,968</u>	<u>\$ 21,485</u>	<u>\$ 6,396,453</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 721,400	\$ 18,500	\$ 739,900
Accrued payroll	8,769	-	8,769
Refundable deposits	1,776,661	-	1,776,661
Total Liabilities	<u>2,506,830</u>	<u>18,500</u>	<u>2,525,330</u>
Fund Balance:			
Restricted for base reuse	3,868,138	2,985	3,871,123
Total Fund Balance	<u>3,868,138</u>	<u>2,985</u>	<u>3,871,123</u>
 Total Liabilities and Fund Balance	 <u>\$ 6,374,968</u>	 <u>\$ 21,485</u>	 <u>\$ 6,396,453</u>

See accompanying notes to financial statements.

**CITY OF ALAMEDA, CALIFORNIA  
 BASE REUSE FUNDS  
 STATEMENTS OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2015**

	Base Reuse Special Revenue Fund	Base Reuse Debt Service Fund	Total Governmental Fund
<b>REVENUES</b>			
Lease revenues	\$ 10,481,156	\$ -	\$ 10,481,156
Rent revenues	1,902,043	-	1,902,043
Interest and other use of money and property	20,887	(65)	20,822
Intergovernmental revenues	293,221	-	293,221
Total Revenues	<u>12,697,307</u>	<u>(65)</u>	<u>12,697,242</u>
<b>EXPENDITURES</b>			
Current:			
Wages and benefits	1,236,245	-	1,236,245
Office supplies	10,606	-	10,606
Travel	3,528	-	3,528
Professional and administrative services	6,438,673	-	6,438,673
Building/equipment repairs and maintenance	2,909,342	-	2,909,342
Utilities	1,229,421	-	1,229,421
Debt Service:			
Principal	-	400,000	400,000
Interest and fiscal charges	-	28,184	28,184
Total Expenditures	<u>11,827,815</u>	<u>428,184</u>	<u>7,689,052</u>
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	<u>869,492</u>	<u>(428,249)</u>	<u>5,008,190</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	(388,000)	388,000	-
Transfers to the City of Alameda	(180,920)		(180,920)
Total Other Financing Sources (Uses)	<u>(568,920)</u>	<u>388,000</u>	<u>(180,920)</u>
Net Change in Fund Balance	300,572	(40,249)	260,323
Fund Balance Beginning of Year	<u>3,567,566</u>	<u>43,234</u>	<u>3,610,800</u>
Fund Balance End of Year	<u>\$ 3,868,138</u>	<u>\$ 2,985</u>	<u>\$ 3,871,123</u>

See accompanying notes to financial statements.

**CITY OF ALAMEDA, CALIFORNIA  
BASE REUSE SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2015**

	Budget			Variance From Final Budget Positive (Negative )
	Original	Final	Actual	(Negative )
<b>REVENUES</b>				
Lease revenues	\$ 11,800,000	\$ 11,800,000	\$ 10,481,156	\$ (1,318,844)
Rent revenues	-	-	1,902,043	1,902,043
Interest and other use of money and property	13,000	13,000	20,887	7,887
Intergovernmental revenues	-	250,000	293,221	43,221
Total Revenues	11,813,000	12,063,000	12,697,307	634,307
<b>EXPENDITURES</b>				
Current:				
Community development:				
Wages and benefits	1,135,908	1,135,908	1,236,245	(100,337)
Office supplies	7,345	7,345	10,606	(3,261)
Travel	3,650	3,650	3,528	122
Professional and administrative services	4,840,951	5,125,951	6,438,673	(1,312,722)
Building/equipment repairs and maintenance	3,424,842	4,816,308	2,909,342	1,906,966
Utilities	1,405,304	1,405,304	1,229,421	175,883
Total Expenditures	10,818,000	12,494,466	11,827,815	666,651
<b>REVENUES OVER/(UNDER) EXPENDITURES</b>	995,000	(431,466)	869,492	1,300,958
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(300,000)	(300,000)	(388,000)	(88,000)
Transfers to the City of Alameda	(350,000)	(610,526)	(180,920)	429,606
Total Other Financing Sources (Uses)	(650,000)	(910,526)	(568,920)	341,606
Net Change in Fund Balance	\$ 345,000	\$ (1,341,992)	300,572	\$ 1,642,564
Fund Balance Beginning of Year			3,567,566	
Fund Balance End of Year			\$ 3,868,138	

See accompanying notes to financial statements.



**CITY OF ALAMEDA, CALIFORNIA**  
**BASE REUSE FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

***NOTE 1 – REPORTING ENTITY***

The Alameda Reuse and Redevelopment Authority (ARRA) was formed in April 1994 by the City and County of Alameda. The purpose of ARRA was to ensure the effective transition of the Alameda Naval Air Station (NAS) from Federal to local ownership. ARRA was responsible for the development of an Interim Reuse Strategy, taking title to base lands, and implementation of the Community Reuse Plan. ARRA is recognized by the Department of Defense as the responsible entity for submitting and completing the Community Reuse Plan for the 1997 decommission of the NAS.

On February 7, 2012, ARRA was dissolved and became a department of the City of Alameda (City). ARRA's activities are now accounted for in two funds of the City. The Base Reuse Special Revenue Fund and the Base Reuse Debt Service Fund (Funds) of the City are integral parts of the reporting entity. These Funds are included in the basic financial statements of the City.

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES***

**A. Basis of Presentation**

The Fund Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

**B. Major Funds**

***Base Reuse Special Revenue Fund***

The fund accounts for the revenues from leasing activities and grants. Expenditures are made for base reuse activities.

***Base Reuse Debt Service Fund***

The 2003 Variable Rate Demand Revenue Bonds were issued in December 2003 by the Alameda Public Financing Authority to refund the 1999 Base Reuse Revenue Bonds and to finance professional land use planning and other activities required in the redevelopment process at Alameda Point. The debt will be repaid solely from lease revenues related to base reuse.

**C. Basis of Accounting**

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measureable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within forty-five days after year-end. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgment, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are grants and leases. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**CITY OF ALAMEDA, CALIFORNIA**  
**BASE REUSE FUNDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)***

**D. Grant Revenues**

The City obtains grants from public, private, and private non-profit organizations. Under the terms of these grant agreements, funds are advanced to finance program expenditures. Revenues from grants are recognized throughout the grant period, or as allowable costs are incurred for the purposes specified in the grant.

***NOTE 3 – CASH AND INVESTMENTS***

Cash and investments are maintained on a pooled basis with other funds of the City. Pooled cash and investments consist of U.S. government securities, bankers' acceptances, commercial paper, medium-term notes, deposits with banks, money market mutual funds, legal agency debt, participation in the California Local Agency Investment Fund, county agency investment fund and California Asset Management Program. All investments are stated at fair value.

The City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on the month-end cash balances. Interest income from restricted cash and cash equivalents is credited directly.

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes.

See the City's Comprehensive Annual Financial Report (CAFR) for disclosures related to cash and investments as prescribed by Governmental Accounting Standards Board Statement No. 40. The CAFR may be obtained from the City of Alameda, 2263 Santa Clara Avenue, Room 220, Alameda, California, 94501 or on the City's website at [www.alameda.ca.gov/finance/comprehensive-annual-financial-reports](http://www.alameda.ca.gov/finance/comprehensive-annual-financial-reports).

***NOTE 4 – TRANSFERS BETWEEN THE CITY AND THE FUNDS***

During the fiscal year ended June 30, 2015, the Base Reuse Department made net cash transfers of \$180,920 to reimburse the City for capital expenditures for infrastructure improvements and its prorata share of operating expenditures incurred on behalf of the Department, as determined by the City's Cost Allocation Plan.

The Base Reuse Special Revenue Fund transferred \$388,000 to the Base Reuse Debt Service Fund for debt repayment.

**CITY OF ALAMEDA, CALIFORNIA  
BASE REUSE FUNDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 – LONG TERM DEBT**

**2003 ARRA Variable Rate Demand Revenue Bonds** – On December 1, 2003, the Alameda Public Financing Authority issued Variable Rate Revenue Bonds in the original amount of \$13,440,000 at a variable rate of interest determined on a weekly basis. The proceeds from the bonds were used to refund the 1999 ARRA Revenue Bonds, which were issued to finance the costs of certain improvements at Alameda Point, and to finance professional services for land use planning and other activities required for the redevelopment process at Alameda Point. Repayment of these bonds is from lease revenues paid to ARRA from certain land, buildings, fixtures, and equipment. Interest is payable on the first business day of each month.

The pledge of sublease revenues ends upon repayment of the \$11,099,893 in remaining debt service on the Bonds, which is scheduled to occur in 2034. As disclosed in the bond indenture documents, pledged future sublease revenues are expected to provide coverage over debt service of 1.5 during the life of the Bonds. For fiscal year 2014-2015 sublease revenues amount to \$10,481,156, which amounted to 2,448% over the \$428,184 in debt service.

The current year principal retirement was \$400,000. Repayment requirements for the Revenue Bonds are as follows at June 30, 2015:

For the Year Ending June 30,	Principal	Interest
2016	\$ 400,000	\$ 8,925
2017	400,000	8,625
2018	400,000	8,325
2019	400,000	8,025
2020	400,000	7,725
2021-2025	2,700,000	32,638
2026-2030	3,100,000	20,263
2031-2034	3,200,000	5,367
Total	\$ 11,000,000	\$ 99,893

**NOTE 6 – BUDGETS AND BUDGETARY ACCOUNTING**

The City adopts a budget annually for all funds. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted by the City Council, and controlled at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget during the fiscal year. The City Manager or his designee is authorized to transfer budgeted amounts between departments and between line items within any fund. However, any revisions which alter the total expenditures of any fund must be approved by the City Council. Transfers between funds must be approved by the City Council. All appropriations lapse at year end. Supplemental changes in appropriations that have been adopted by the City Council have been included in the budget versus actual statements.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for the major Capital Improvements Projects Fund, which is budgeted at total cost in the budget year it is approved. Unexpended balances of this fund are reappropriated in the subsequent year as necessary to complete the projects.

**CITY OF ALAMEDA, CALIFORNIA  
BASE REUSE FUNDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

***NOTE 6 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)***

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end lapse and must be reappropriated as part of the following year budget.

***NOTE 7 – FUND BALANCE***

The City's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendables* represent balances set aside to indicate items that do not represent available, spendable resources, even though they are a component of assets. Fund balances required to be maintained intact, such as permanent funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment, are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action (through a resolution) of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

*Assigned* fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Manager or its designee as authorized by an adopted City Council resolution and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed through a council resolution, the City Council has designated the City Manager or his designee to determine the amount of assigned fund balances.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.



**INDEPENDENT AUDITOR’S 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 Members of the City Council  
and City Auditor of the City of Alameda  
City of Alameda, California

We have audited, 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, the financial statements of the Base Reuse Funds (Funds) of the City of Alameda, California (City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2015. Our report included an emphasis of matter stating that the financial statements of the Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

*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 City’s 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 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the Funds of the City are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including requirements of as specified in the engagement between the City, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of the requirements.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

*Vavrinik, Trine, Day & Co. LLP*

Sacramento, California  
December 28, 2015