

City of Fremont

Measure B Funds

Fremont, California

*Financial Statements and
Independent Auditors' Reports*

*For the year ended June 30, 2010
With comparative totals for the year ended
June 30, 2009*

City of Fremont
Alameda County Transportation Improvement Authority – Measure B Funds

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Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Fremont
Fremont, California

We have audited the accompanying financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds) of the City of Fremont, California (City), 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 management of the City. Our responsibility is to express an opinion on these financial statements based on our audit. The 2009 financial statements which were audited by Caporicci & Larson, CPAs, whose operation became a wholly owned subsidiary of Marcum LLP through merger as of October 1, 2010, and whose report dated December 3, 2009, expressed an unqualified opinion on those financial statements.

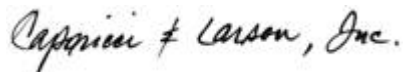
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As discussed in Note 1, the financial statements of the Measure B Funds are intended to present the financial position and the changes in financial position of the Measure B Funds. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2010, or the changes in its financial position 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 City's Measure B Funds as of June 30, 2010, and the respective changes in financial position 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 Fremont
Fremont, California
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010, on our consideration of the City's internal control over financial reporting as it relates to the Measure B 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* and should be considered in assessing the results of our audit.



Caporicci & Larson, Inc.
San Francisco, California
December 27, 2010

City of Fremont

Alameda County Transportation Improvement Authority - Measure B Fund Combining Balance Sheet

June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Special Revenue		Capital Project Funds		Total	
	Funds					
	ACTIA Measure B Paratransit	ACTIA-2000 Streets & Roads	ACTIA-2000 Bike & Pedestrian	2010	2009	
ASSETS						
Cash and investments	\$ -	\$ 2,530,268	\$ 1,901,388	\$ 4,431,656	\$ 4,620,252	
Accounts receivable:						
Measure B	151,425	409,902	119,732	681,059	459,538	
Other receivables	57,792	-	-	57,792	-	
Total assets	\$ 209,217	\$ 2,940,170	\$ 2,021,120	\$ 5,170,507	\$ 5,079,790	
LIABILITIES AND FUND BALANCES						
Liabilities:						
Cash overdraft	\$ 35,147	\$ -	\$ -	\$ 35,147	\$ -	
Accounts payable and other accrued liabilities	49,013	14,179	2,250	65,442	109,517	
Total liabilities	84,160	14,179	2,250	100,589	109,517	
Fund Balances:						
Reserved for encumbrances	11,683	182,574	20,571	214,828	458,658	
Unreserved:						
Designated for:						
Capital projects	-	2,743,417	1,998,299	4,741,716	4,403,469	
Specific purposes	113,374	-	-	113,374	108,146	
Total fund balances	125,057	2,925,991	2,018,870	5,069,918	4,970,273	
Total liabilities and fund balances	\$ 209,217	\$ 2,940,170	\$ 2,021,120	\$ 5,170,507	\$ 5,079,790	

See accompanying Notes to Financial Statements.

City of Fremont

Alameda County Transportation Improvement Authority - Measure B Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances June 30, 2010

(With comparative totals for the year ended June 30, 2009)

	Special Revenue				
	Funds	Capital Project Funds		Total	
	ACTIA	ACTIA-2000	ACTIA-2000		
	Measure B Paratransit	Streets & Roads	Bike & Pedestrian	2010	2009
REVENUES:					
Investment earnings	\$ 1,716	\$ 72,107	\$ 43,922	\$ 117,745	\$ 74,862
Intergovernmental	592,599	1,604,167	468,577	2,665,343	2,857,399
Grants	108,262	-	-	108,262	90,321
Charges for services	21,943	-	-	21,943	15,770
Total revenues	724,520	1,676,274	512,499	2,913,293	3,038,352
EXPENDITURES:					
Human services	709,677	-	5,456	715,133	844,363
Capital assets maintenance	-	1,686,325	412,190	2,098,515	3,059,092
Total expenditures	709,677	1,686,325	417,646	2,813,648	3,903,455
REVENUES OVER (UNDER)					
EXPENDITURES	14,843	(10,051)	94,853	99,645	(865,103)
FUND BALANCES:					
Beginning of year	110,214	2,936,042	1,924,017	4,970,273	5,835,376
End of year	\$ 125,057	\$ 2,925,991	\$ 2,018,870	\$ 5,069,918	\$ 4,970,273

See accompanying Notes to Financial Statements.

City of Fremont

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

All transactions of the Alameda County Transportation Improvement Authority – Measure B Funds (Measure B Funds) of the City of Fremont, California (City) are included as separate special revenue and capital projects 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 paratransit program and for capital projects. The accompanying financial statements are for Measure B Funds only and are not intended to fairly present the financial position of the City and the results of its operations.

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 increases (revenues and other financing sources) and decreases (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 fund types are used:

- a. *Special Revenue Fund* – 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).
- b. *Capital Projects Funds* – To account for financial resources to be used for the acquisition, construction, and/or improvement of major capital assets.

D. *Fund Balance*

Reservations of fund balances indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to a specific use honored during the subsequent fiscal year. Encumbrances outstanding at fiscal year end are reported as reservation of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be unreserved and undesignated amounts represent amounts available for future uses.

City of Fremont
Alameda County Transportation Improvement Authority – Measure B Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2010

E. Receivables

Receivables represent the amounts due from the Alameda County Transportation Improvement Authority.

F. 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.

2. CASH AND INVESTMENTS

The Measure B Funds had the following cash and investments at June 30, 2010:

Cash and Investments	\$ 4,431,656
Total	\$ 4,431,656

The Measure B funds are pooled with the City’s cash and investments in order to generate optimum interest income.

A. Investments Authorized by the City’s Investment Policy

The City’s investment policy is adopted annually by the City Council in accordance with California Government Code Section 53601, and has as its objectives the following (in order of priority):

- **Safety:** Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in the portfolio’s composition.
- **Liquidity:** The portfolio shall remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated. Liquidity refers to the ability to sell an investment at any given moment with a minimal chance of losing some portion of principal or interest.
- **Yield:** The portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Under provisions of the City’s investment policy, the City may invest in the following types of investments:

- Bonds and notes issued by the City.

City of Fremont

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

- U.S. Treasury bills, notes, bonds, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Registered state warrants or treasury notes or bonds issued by the State of California.
- Bonds, notes, warrants, or other evidence of debt issued by a local agency within the State of California with the highest credit rating (on the date of purchase) by two nationally recognized rating services.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- Obligations issued by agencies or instrumentalities of the U.S. Government.
- Bankers' acceptances with a term not to exceed 180 days.
- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation, on the date of purchase.
- Negotiable certificates of deposit issued by federally chartered or state-chartered banks or associations or by a state-licensed branch of a foreign bank.
- Repurchase agreements that comply with statutory requirements, are documented by a written agreement, are fully collateralized by delivery to an independent third-party custodian or the counter party's bank's trust department or safekeeping department, and are for a term of one year or less.
- Medium-term notes with a maximum maturity of five years issued by corporations organized and operating in the United States.
- Shares of beneficial interest issued by diversified management companies investing in authorized securities and obligations (e.g., money market mutual funds).
- Insured or collateralized time deposits or savings accounts secured in accordance with the provisions of Sections 53651 and 53652 of the California Government Code.
- Any pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond with a maximum maturity of five years.
- Guaranteed investment agreements for funds that can be invested longer than five years with final maturity not to exceed ten years.
- Other investments that are permitted by bond indenture agreements.

A five-year maximum maturity for each investment is allowed unless an extension of maturity is granted by the City Council.

In accordance with Section 53651 of the California Government Code, the City cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

City of Fremont
Alameda County Transportation Improvement Authority – Measure B Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2010

B. Risk Disclosures

Interest Rate Risk. At June 30, 2010, the City held no investments that are “highly sensitive to interest rate fluctuations” as defined by GASB 40. As a means of limiting exposure to fair value losses arising from rising interest rates, the City’s investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2010, the City’s pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	55%
One to two years	7%
Two to three years	10%
Three to four years	9%
Four to five years	19%

The weighted-average life of the portfolio was 574 days, without regard to call features of many of the bonds held in the portfolio.

Credit Risk. It is the City’s policy that commercial paper have a credit rating of A1 by Standard & Poor’s or P-1 by Moody’s Investors Service. Corporate bonds and medium-term notes must have a rating of A or better. Mutual funds and federal agency securities must have the highest rating issued by the nationally recognized statistical rating organizations. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. The City’s investments in federally sponsored agencies are rated AAA by Standard & Poor’s and Moody’s Investors Service. Medium term notes and corporate bonds are rated from A to AAA by Standard & Poor’s and Moody’s Investors Service. Money market funds are rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service. Time and demand deposits over \$250,000 are collateralized by the financial institution.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market funds, time deposits, and LAIF, are held by a third-party custodian, Bank of New York Mellon (BNYM). BNYM is a registered member of the Federal Reserve Bank. The securities held by BNYM are in street name, and a customer number assigned to the City identifies ownership.

C. External Investment Pool

The City invests in the California Local Agency Investment Fund (LAIF), a State of California external investment pool that is not rated. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

City of Fremont

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

LAIF is part of the Pooled Money Investment Account (PMIA). PMIA oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. PMIB members are the State Treasurer, State Director of Finance, and State Controller. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members are qualified by training and experience in the field of investment or finance, and the State Treasurer appoints two members who are treasurers, finance or fiscal officers, or business managers employed by any county, city or local district or municipal corporation of this state. The City values its investments in LAIF at amortized cost, which approximates the fair value.

The City's investments with LAIF at June 30, 2010, include a portion of pool funds invested in structured notes and asset-backed securities. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities entitle the purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (e.g., CMOs), small business loans, or credit card receivables.

As of June 30, 2010, the City had \$100,000,000 invested in LAIF, which had invested 5.42% of the pool's funds in structured notes and medium-term asset-backed securities.

3. MEASURE B FUNDS

Under Measure B, approved by the voters of Alameda County in 1986 (ACTA Measure B) and in 2000 (ACTIA Measure B), the City receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation-related expenditures. This measure was adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid for by property taxes but, rather, would be used for additional projects and programs.

Major projects funded by Measure B are as follows:

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

Citywide Street Overlays – To apply asphalt overlay on selected streets throughout the City.

Traffic Service Operations – Install, remove, or modify traffic control devices on public streets throughout the City.

Congestion Management Program – Update City's traffic model, implementation of Traffic Demand Management programs, and establishment off Priority Development Areas.

City of Fremont

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

Niles Boulevard Roadway Improvement - Reconstruct the pavement and sidewalks on Niles Boulevard from Sullivan Underpass to a point west of Hillview Drive.

Fremont/Nicolet Pedestrian Traffic - Project involves pedestrian facilities improvements such as installation of ADA compliant curb ramps, accessible pedestrian signal devices, pedestrian count down signals, crosswalk and corner radius modifications to slow right turning vehicles and traffic signal pole replacements.

Washington Grade Separation Grant Project - To construct grade separations (underpass at Paseo Padre Parkway and overpass at Washington Boulevard).



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**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 Fremont
Fremont, California

We have audited the financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds) of the City of Fremont, California (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 27, 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 it relates to the Measure B Funds as a basis for designing our audit 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 City's Measure B 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 Fremont
Fremont, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City's Measure B Funds 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 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 City Council, management, and Alameda County Transportation Improvement Authority, 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

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
San Francisco, California
December 27, 2010



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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON MEASURE B COMPLIANCE

To the Honorable Mayor and Members of City Council
of the City of Fremont
Fremont, California

We have audited the accompanying financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds) of the City of Fremont, California (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 27, 2010.

We conducted our audit in accordance with generally accepted auditing standards in the United States and 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.

Compliance with laws and regulations, contracts and grants applicable to the Measure B Funds is the responsibility of Measure B Funds management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of City compliance with Measure B grant regulations as specified in the agreement between the City and Alameda County Transportation Improvement Authority for the year ended June 30, 2010.

Under Measure B, approved by the voters of Alameda County in 2000, the City has received under ACTIA Measure B a total of 12 months of revenue from July 2009 through June 2010. The Local Street and Roads program has received \$1,604,167, the Bike and Pedestrian program has received \$468,577, and the Paratransit program has received \$592,599. This financial statement reflects twelve months of revenue for the Local Streets and Roads, the Bike and Pedestrian, and the Paratransit programs.

In our opinion the City of Fremont is materially in compliance with the laws and regulations, contracts and grant requirements related to Measure B funds as specified in the agreement between the City and Alameda County Transportation Improvement Authority. Our opinion is covering the period from July 1, 2009 through June 30, 2010.

This report is intended solely for the information and use of the City Council, management, and Alameda County Transportation Improvement Authority, 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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
San Francisco, California
December 27, 2010