

CITY OF FREMONT

Alameda County Transportation Commission -
Measure B Funds

Independent Auditor's Reports,
Financial Statements,
and Independent Accountant's Report

For the Year Ended June 30, 2012



Certified Public Accountants.

CITY OF FREMONT

Alameda County Transportation Commission -
Measure B Funds

For the Year Ended June 30, 2012

Table of Contents

	<i>Page</i>
Financial Section	
Independent Auditor's Report.....	1
Combining Balance Sheet.....	3
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	4
Notes to Financial Statements.....	5
Internal Control and Compliance Section	
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 <i>Government Auditing Standards</i>	8
Independent Accountant's Report on Compliance with the Agreement Between the City of Fremont and the Alameda County Transportation Commission Applicable to Measure B 2000 Funds.....	10

City Council
City of Fremont, California

Independent Auditor's Report

We have audited the accompanying financial statements of the Alameda County Transportation Commission – Measure B Funds (Funds) of the City of Fremont, California (City) as of 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. The comparative amounts as of June 30, 2011, were derived from financial statements audited by other auditors whose opinion dated December 27, 2011 expressed an unqualified opinion on those 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 the Funds' 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 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 described in Note 1, the financial statements of the Funds are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the nonmajor governmental funds of the City that is attributable to the activities of the Funds. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2012, and changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Funds as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012 on our consideration of the City's internal control over the Funds' 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 the Funds' financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the Funds' 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.

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

Macias Gini & Connell LLP

Walnut Creek, California
December 27, 2012

CITY OF FREMONT
Alameda County Transportation Commission - Measure B Funds
Combining Balance Sheet
June 30, 2012
(With comparative totals as of June 30, 2011)

	Special Revenue			Total	
	Funds	Capital Project Funds			
	ACTC Measure B Paratransit	ACTC-2000 Streets & Roads	ACTC-2000 Bike & Pedestrian	2012	2011
ASSETS					
Cash and investments	\$ 55,359	\$2,064,595	\$2,051,539	\$4,171,493	\$4,896,775
Accounts receivable:					
Measure B sales taxes	115,238	314,352	93,245	522,835	880,765
Others	155,859	47,054	301,156	504,069	78,598
Total assets	\$ 326,456	\$2,426,001	\$2,445,940	\$5,198,397	\$5,856,138
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to the City of Fremont	\$ -	\$ -	\$ 290,656	\$ 290,656	\$ 141,042
Accounts payable and other accrued liabilities	81,655	339	24,770	106,764	123,215
Total liabilities	81,655	339	315,426	397,420	264,257
Fund Balances:					
Restricted for:					
Social Services	244,801	-	-	244,801	149,420
Street Projects	-	2,425,662	2,130,514	4,556,176	5,442,461
Total fund balances	244,801	2,425,662	2,130,514	4,800,977	5,591,881
Total liabilities and fund balances	\$ 326,456	\$2,426,001	\$2,445,940	\$5,198,397	\$5,856,138

See accompanying Notes to Financial Statements.

CITY OF FREMONT
Alameda County Transportation Commission - Measure B Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2012
(With comparative totals for the year ended June 30, 2011)

	Special Revenue			Total	
	Funds	Capital Project Funds			
	ACTC Measure B Paratransit	ACTC-2000 Streets & Roads	ACTC-2000 Bike & Pedestrian	2012	2011
REVENUES:					
Measure B sales tax	\$ 706,249	\$1,926,549	\$ 571,465	\$3,204,263	\$2,974,061
Grants	155,859	-	282,515	438,374	251,152
Investment earnings	1,272	29,361	25,038	55,671	70,019
Charges for services	-	-	-	-	29,326
Total revenues	<u>863,380</u>	<u>1,955,910</u>	<u>879,018</u>	<u>3,698,308</u>	<u>3,324,558</u>
EXPENDITURES:					
Transportation	767,999	-	24,872	792,871	789,104
Highways & streets	-	2,983,419	712,922	3,696,341	1,997,427
Capital outlay	-	-	-	-	16,064
Total expenditures	<u>767,999</u>	<u>2,983,419</u>	<u>737,794</u>	<u>4,489,212</u>	<u>2,802,595</u>
REVENUES OVER (UNDER) EXPENDITURES	95,381	(1,027,509)	141,224	(790,904)	521,963
FUND BALANCES:					
Beginning of year	<u>149,420</u>	<u>3,453,171</u>	<u>1,989,290</u>	<u>5,591,881</u>	<u>5,069,918</u>
End of year	<u>\$ 244,801</u>	<u>\$2,425,662</u>	<u>\$2,130,514</u>	<u>\$4,800,977</u>	<u>\$5,591,881</u>

See accompanying Notes to Financial Statements.

CITY OF FREMONT

Alameda County Transportation Commission -
Measure B Funds
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

Under Measure B approved by the voters of Alameda County in 2000, the City of Fremont (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.

The accompanying financial statements are prepared from the accounts and financial transactions of the City for the Alameda County Transportation Commission – Measure B Funds (Funds). The 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 financial statements do not purport to present the financial position or changes in financial position of the City. The projects represent a portion of the activities of the City and, as such, are included in the City's basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Presentation*

The Measure B Funds have been accounted for in a nonmajor special revenue fund and two capital project funds, which are governmental fund type and are included in the City's basic financial statements. Special revenue funds are used to account for proceeds of specific revenues (other than for capital projects) that are legally restricted to be expended for specified purposes (specifically, the paratransit program). Capital projects funds are used to account for financial resources (e.g., sales tax, and investment income) that are restricted, committed, or assigned to expenditures for capital outlays and activities.

(b) *Basis of Accounting*

The accompanying financial statements have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when the related governmental fund liabilities are incurred. Revenues, including sales taxes and investment earnings, are recognized when they become measurable and available (received within 90 days after year-end). Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

(c) *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

CITY OF FREMONT

Alameda County Transportation Commission -
Measure B Funds
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) *Fund Balance*

The City established a policy on Governmental Fund Balance Financial Reporting to provide necessary clarification on the terminology used in the fund balance classifications and assist with adhering to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 outlines the requirement to report the fund balance for governmental funds in specific classifications (nonspendable, restricted, committed, assigned and unassigned), which create a hierarchy primarily based on the extent to which the City is bound to the constraints on the specific purposes for which funds can be spent. The Funds only receive restricted revenues and have restricted fund balance at June 30, 2012. Restricted fund balance represents amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments represent the Funds' share of the City Treasury's pool. All of the Funds' cash and investments are deposited in the City Treasury's pool as described in the City's *Comprehensive Annual Financial Report*, which can be obtained from the City's Department of Finance. Investments in the pool are made in accordance with the City's investment policy as approved by the City Council. Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools*. However, the value of the pool shares in the City Treasury's pool that may be withdrawn is determined on an amortized cost basis, which is different from the fair value of the Funds' position in the pool. Interest earned from time deposits and investments is allocated monthly to the Funds based on its average daily cash balance. At June 30, 2012, the City Treasury's pool has a weighted average to maturity of 540 days and is unrated.

NOTE 4 – PROJECTS

Major projects funded by Measure B Funds are as follows:

Paratransit Program – Provide transit services for the elderly and the handicapped.

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

Cape Sealing – Apply asphalt emulsions to street surfaces to seal the surface.

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

CITY OF FREMONT

Alameda County Transportation Commission -
Measure B Funds
Notes to Financial Statements
For the Year Ended June 30, 2012

NOTE 4 – PROJECTS (Continued)

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

Cedar Street Sidewalk – Construction of sidewalk curb and gutter and American of Disability Act (ADA) curb ramps.

Bicycle and Pedestrian Projects – Staff administration and development of bicycle and pedestrian projects.

City Council
City of Fremont, California

**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***

We have audited the financial statements of the Alameda County Transportation Commission – Measure B Funds (Funds) of the City of Fremont, California (City), as of June 30, 2012, and have issued our report thereon dated December 27, 2012. Our report includes an explanatory paragraph describing that the financial statements of the Funds present only that portion of the governmental activities and the nonmajor governmental funds of the City that is attributable to the activities of the Funds and an explanatory paragraph describing management’s omission of the management’s discussion and analysis required by accounting principles generally accepted in the United States of America. 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 City 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 the Funds’ financial reporting 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 the Funds’ financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over the Funds’ 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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity’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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions 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 Alameda County Transportation Commission, the City Council, and City management and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Connell LLP

Walnut Creek, California
December 27, 2012

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

City Council
City of Fremont, California

**Independent Accountant's Report on Compliance with
the Agreement Between the City of Fremont and the
Alameda County Transportation Commission Applicable to
Measure B 2000 Funds**

We have examined the City of Fremont's (City) compliance with the types of compliance requirements described in the Agreement between the City and the Alameda County Transportation Commission applicable to Measure B 2000 Funds (Agreement), for the year ended June 30, 2012. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements that are applicable to the Measure B 2000 Funds as specified in the Agreement for the year ended June 30, 2012.

This report is intended solely for the information and use of the Alameda County Transportation Commission, the City Council, and City management and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Cannelo LLP

Walnut Creek, California
December 27, 2012