

**CITY OF PIEDMONT**  
**MEASURE B PROGRAM**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2012**

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**CITY OF PIEDMONT  
MEASURE B PROGRAM**

**Financial Statements  
For the Year Ended June 30, 2012**

**Table of Contents**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Balance Sheet .....	2
Statement of Revenues, Expenditures and Changes in Fund Balances .....	3
Notes to Financial Statements .....	5
<b>INDEPENDENT AUDITOR'S REPORT ON MEASURE B COMPLIANCE .....</b>	<b>9</b>

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Piedmont, California

We have audited the financial statements of the Measure B Program of the City of Piedmont, California as of and for the year ended 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.

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 Program 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 respective financial position of the governmental activities of the Measure B Program as of June 30, 2012 and the respective changes in fund balance 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 on December 12, 2012, our consideration of the City of Piedmont'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 assessing the results of our audit.

*Maze & Associates*

December 12, 2012

CITY OF PIEDMONT

MEASURE B PROGRAM  
BALANCE SHEET  
JUNE 30, 2012

	<u>Measure B Programs &amp; Projects</u>			<u>Total</u>
	<u>ACTA Measure B</u>	<u>ACTIA Streets and Roads</u>	<u>ACTIA Bike and Pedestrian</u>	
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$2,374	\$267,527	\$125,206	\$395,107
Other Measure B receivables		58,741	4,646	63,387
<b>Total Assets</b>	<u>\$2,374</u>	<u>\$326,268</u>	<u>\$129,852</u>	<u>\$458,494</u>
<b>LIABILITIES</b>				
Accounts payable and other accrued liabilities		\$37,960		\$37,960
<b>Total Liabilities</b>		<u>37,960</u>		<u>37,960</u>
<b>FUND BALANCES</b>				
Restricted for:				
Measure B programs & projects	\$2,374	288,308	\$129,852	420,534
Unassigned				
<b>Total Fund Balances</b>	<u>2,374</u>	<u>288,308</u>	<u>129,852</u>	<u>420,534</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$2,374</u>	<u>\$326,268</u>	<u>\$129,852</u>	<u>\$458,494</u>

See accompanying notes to financial statements

CITY OF PIEDMONT

MEASURE B PROGRAM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Measure B Programs &amp; Projects</u>			<u>Total</u>
	<u>ACTA Measure B</u>	<u>ACTIA Streets and Roads</u>	<u>ACTIA Bike and Pedestrian</u>	
REVENUES				
Measure B pass-through revenue				
Pass-through allocation		\$359,993	\$28,473	\$388,466
EXPENDITURES				
Public works		648,876		648,876
Excess (Deficiency) of Revenues Over (Under) Expenditures		(288,883)	28,473	(260,410)
Net Change in Fund Balances		(288,883)	28,473	(260,410)
Fund Balance, Beginning of Year	\$2,374	577,191	101,379	680,944
Fund Balance, End of Year	<u>\$2,374</u>	<u>\$288,308</u>	<u>\$129,852</u>	<u>\$420,534</u>

See accompanying notes to financial statements

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**CITY OF PIEDMONT  
MEASURE B PROGRAM  
Notes to Financial Statements  
For The Year Ended June 30, 2012**

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

**A. *Reporting Entity***

All transactions of the Alameda County Transportation Commission- Measure B Funds (Measure B Program) of the City of Piedmont, California (City), are included as separate special revenue fund and capital project funds in the basic financial statements of the City. Measure B Program is used to account for the City's share of revenues earned and expenditures incurred under the City's streets and roads, and bicycle and pedestrian projects.

The accompanying financial statements are for the Measure B Program only and are not intended to fairly present the financial position of the City or the results of its operations and cash flows of the City in conformity with accounting principles generally accepted in the United States of America.

**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 Fund***

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 City uses 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.

**D. *Use of Estimates***

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Cash and investments are maintained on a pooled basis with those of other funds of the City. Pooled cash and investments consist of U.S. government securities, bankers' acceptances, commercial paper, medium term notes, repurchase agreements, deposits 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 and related entities of the City.

See the City's Basic Financial Statements for disclosures related to cash and investments and the related custodial risk categorization.

**CITY OF PIEDMONT  
MEASURE B PROGRAM  
Notes to Financial Statements  
For The Year Ended June 30, 2012**

**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 U.S. government securities, bankers' acceptances, commercial paper, medium term notes, repurchase agreements, deposits 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 and related entities of the City.

See the City's Basic Financial Statements for disclosures related to cash and investments and the related custodial risk categorization.

**NOTE 3 – MEASURE B PROGRAM**

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

Projects funded by Measure B were as follows:

*Street Resurfacing* - To improve, repair, and overlay city streets.

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

The pool of funds held by the County 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 lanes and pedestrian lanes 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.

**CITY OF PIEDMONT  
MEASURE B PROGRAM  
Notes to Financial Statements  
For The Year Ended June 30, 2012**

**NOTE 5 - RESERVES**

*Measure B Reserves* - Pursuant to its agreement with the Alameda County Transportation Commission, the City is to expend Measure B Program expeditiously and no unexpended funds beyond those included in reserves as defined in the Agreement are allowed to be retained by the City. Specific reserves are described as follows:

Capital Fund Reserve – The City may establish a specific capital fund reserve to fund specific large capital projects that could otherwise not be funded with a single year worth of Measure B Program. The City may collect capital funds during not more than three fiscal years and shall expend all reserve funds prior to the end of the third fiscal year immediately following the fiscal year during which the reserve was established.

As of June 30, 2012, the Capital Fund Reserve amounted to \$418,159 and has been retained to fund future streets and roads as well as bicycle and pedestrian capital projects.

Operations Fund Reserve - The City may establish and maintain a specific reserve to address operational issues including fluctuations in revenues and to help maintain transportation operations. The total amount retained may not exceed 50 percent of anticipated annual combined revenues from Measure B and VRF funds. This fund may be a revolving fund and is not subject to an expenditure timeframe. The City does not have Operations Fund Reserve as of June 30, 2012.

Undesignated Fund Reserve - The City may establish and maintain a specific reserve for transportation needs over a fiscal year such as matching funds for grants project development work studies for transportation purposes or contingency funds for a project or program. This fund may not contain more than 10 percent of annual pass-through revenues. The City does not have Undesignated Fund Reserves as of June 30, 2012.

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## INDEPENDENT AUDITOR'S REPORT ON MEASURE B COMPLIANCE

Members of the City Council  
City of Piedmont, California

We have audited the financial statements of Measure B Program of the City of Piedmont, California (City) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with generally accepted auditing standards 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

### *Compliance*

We have audited the City's compliance with the laws, regulations, contracts and grant requirements, as specified in the *Master Programs Funding Agreement*, between the City and Alameda County Transportation Commission, for the year ended June 30, 2012. Compliance with the Measure B Requirements referred to above 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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Measure B Requirement. Those standards and require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with Measure B Requirements could have a material effect on the Measure B Program. An audit includes examining, on a test basis, evidence about the City's compliance with Measure B 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 of the City's compliance with Measure B Requirements.

In our opinion, the City complied, in all material respects, with the laws, regulations, contracts and grant requirements, as specified in the *Master Programs Funding Agreement*, that are applicable to the City's Measure B Program for the year ended June 30, 2012.

### *Internal Control Over Compliance*

Management of the City is responsible for establishing and maintaining effective internal control over compliance with Measure B Requirements. In planning and performing our audit, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* 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, noncompliance on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City Council, Management, Alameda County Transportation Commission, its Board and Committees, others within the entity, and members of the public that will examine compliance information and is not intended to be and should not be used by anyone other than these specified parties.

*Maze & Associates*

December 12, 2012