

**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, 2015



Certified  
Public  
Accountants

**CITY OF FREMONT**  
Alameda County Transportation Commission -  
Measure B Funds  
For the Year Ended June 30, 2015

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## Independent Auditor's Report

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

### Report on the Financial Statements

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 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. 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 opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Funds as of June 30, 2015, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 2 to the financial statements, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2015, and the changes in its financial position 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, 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 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 the Funds' financial reporting and compliance.

*Macias Gini & O'Connell LLP*

Walnut Creek, California  
December 18, 2015

**CITY OF FREMONT**  
Alameda County Transportation Commission - Measure B Funds  
Combining Balance Sheet  
June 30, 2015

	Special	Capital Project Funds		Total
	Revenue Fund			
	ACTC Measure B Paratransit	ACTC-2000 Streets & Roads	ACTC-2000 Bike & Pedestrian	
<b>Assets</b>				
Cash and investments	\$ 145,095	\$ 613,912	\$ 1,061,049	\$ 1,820,056
Accounts receivable - Measure B sales taxes	209,948	547,195	163,364	920,507
<b>Total assets</b>	<u>\$ 355,043</u>	<u>\$ 1,161,107</u>	<u>\$ 1,224,413</u>	<u>\$ 2,740,563</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 163,580	\$ 269,090	\$ 107,236	\$ 539,906
<b>Fund Balances:</b>				
Restricted for:				
Social services programs	191,463	-	-	191,463
Street improvements	-	892,017	1,117,177	2,009,194
<b>Total fund balances</b>	<u>191,463</u>	<u>892,017</u>	<u>1,117,177</u>	<u>2,200,657</u>
<b>Total liabilities and fund balances</b>	<u>\$ 355,043</u>	<u>\$ 1,161,107</u>	<u>\$ 1,224,413</u>	<u>\$ 2,740,563</u>

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, 2015

	Special Revenue Fund	Capital Project Funds		Total
	ACTC Measure B Paratransit	ACTC-2000 Streets & Roads	ACTC-2000 Bike & Pedestrian	
<b>Revenues</b>				
Measure B sales tax	\$ 844,602	\$ 2,201,320	\$ 657,199	\$ 3,703,121
Investment earnings	1,388	2,651	6,477	10,516
<b>Total revenues</b>	<u>845,990</u>	<u>2,203,971</u>	<u>663,676</u>	<u>3,713,637</u>
<b>Expenditures</b>				
Human Services - social services programs	1,003,802	-	-	1,003,802
Capital assets maintenance and operation - street improvements	-	2,458,645	1,335,294	3,793,939
<b>Total expenditures</b>	<u>1,003,802</u>	<u>2,458,645</u>	<u>1,335,294</u>	<u>4,797,741</u>
<b>Net change in fund balance</b>	(157,812)	(254,674)	(671,618)	(1,084,104)
Fund balance - beginning	349,275	1,146,691	1,788,795	3,284,761
Fund balance - ending	<u>\$ 191,463</u>	<u>\$ 892,017</u>	<u>\$ 1,117,177</u>	<u>\$ 2,200,657</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, 2015

**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 one-half percent sales tax until 2022 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. In November 2014, the voters of the Alameda County approved Measure BB for an additional one-half percent sales tax and also extended the Measure B one-half percent sales tax to 2045. This resulted in a total of one percent sales tax in Alameda County dedicated to transportation expenditures.

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.

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

**(a) *Basis of Presentation***

The Measure B Funds have been accounted for in a special revenue fund and two capital project funds, which are governmental fund types and are included in the City’s basic financial statements as nonmajor governmental funds. 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, grants, and investment income) that are restricted, committed, or assigned to expenditures for capital outlays and activities.

The financial statements do not purport to, and do not, 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.

**(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, grants, and investment earnings, are recognized when they become measurable and available (generally received within 90 days after year-end).

**(c) *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

**CITY OF FREMONT**  
Alameda County Transportation Commission -  
Measure B Funds  
Notes to Financial Statements  
For the Year Ended June 30, 2015

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

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, 2015. 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.

**(d) 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.

**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 GASB 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 average daily cash balance. At June 30, 2015, the City Treasury's pool has a weighted average maturity of 577 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.

*Pavement Maintenance* – Cape Seal and Slurry Seal programs involving applying asphalt emulsion to street surfaces to seal the surface.

*Pavement Rehabilitation* – Apply asphalt overlay on selected streets throughout the City.

*Fremont/Alder Signal/Pedestrian Improvements* – Modify existing traffic signal and enhance the pedestrian crossing facilities.

*Mission Blvd Improvement (680-Mission Creek)* – Completed sidewalk and added bike lanes.

*Walnut/Argonaut Lane Reduction* – Reducing the number of travel lanes from four to two, improve safety, enhance bike and pedestrian facilities.





**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***

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

We have audited, 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, the financial statements of the Alameda County Transportation Commission – Measure B Funds (Funds) of the City of Fremont, 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 18, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over the Fund’s financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. 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 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. 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 Funds' financial statements are free from 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*.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Macias Gini & O'Connell LLP*

Walnut Creek, California  
December 18, 2015



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

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

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 the Measure B 2000 Funds (Agreement), for the year ended June 30, 2015. 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, 2015.

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.

Walnut Creek, California  
December 18, 2015