

CITY OF FREMONT

Alameda County Transportation Commission -
Measure F Fund

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

For the Year Ended June 30, 2016



Certified
Public
Accountants

CITY OF FREMONT
Alameda County Transportation Commission -
Measure F Fund
For the Year Ended June 30, 2016

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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 F Fund (Fund) of the City of Fremont, California (City), as of and for the year ended June 30, 2016, 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 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 Fund as of June 30, 2016, 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 Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2016, 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 5, 2016, on our consideration of the City's internal control over the Fund's 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 Fund's financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 5, 2016

CITY OF FREMONT
Alameda County Transportation Commission - Measure F Fund
Balance Sheet
June 30, 2016

Assets

Cash and investments	\$ 753,306
Accounts receivable - Measure F Vehicle Registration Fee	<u>196,181</u>
Total assets	<u><u>\$ 949,487</u></u>

Fund Balances

Restricted for street improvements	<u><u>\$ 949,487</u></u>
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See accompanying Notes to Financial Statements.

CITY OF FREMONT
 Alameda County Transportation Commission - Measure F Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended June 30, 2016

Revenues	
Measure F Vehicle Registration Fee	\$ 1,079,279
Investment earnings	<u>7,364</u>
Total revenues	<u><u>1,086,643</u></u>
 Expenditures	
Capital assets maintenance and operation - street improvements	<u>671,741</u>
Net change in fund balance	414,902
Fund balance - beginning	<u>534,585</u>
Fund balance - ending	<u><u>\$ 949,487</u></u>

See accompanying Notes to Financial Statements.

CITY OF FREMONT
Alameda County Transportation Commission – Measure F Fund
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

Under Measure F Vehicle Registration Fee (VRF) approved by the voters of Alameda County in 2010, the City of Fremont (City) receives proceeds from the \$10 per year vehicle registration fee on each annual motor vehicle registration or renewal of registration in Alameda County. VRF raised through the program will be used exclusively for local transportation purposes in Alameda County.

The accompanying financial statements are prepared from the accounts and financial transactions of the City for the Alameda County Transportation Commission – Measure F Fund (Fund). The Fund is used to account for the City's share of revenues earned and expenditures incurred under the City's VRF funded capital projects.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The Measure F Fund has been accounted for in a capital projects fund, which is a type of governmental fund and is included in the City's basic financial statements as a nonmajor governmental fund. The capital projects fund is used to account for financial resources (e.g., VRF revenue 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 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 extent to which the City is bound to the constraints on the specific purposes for which funds can be spent. The Fund only receives restricted revenues and has restricted fund balance at June 30, 2016. 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.

CITY OF FREMONT
Alameda County Transportation Commission – Measure F Fund
Notes to Financial Statements
For the Year Ended June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) *Recently Issued Accounting Standards*

During the year ended June 30, 2016, the Fund implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This statement is intended to improve accounting and financial reporting for state and local governments' investments by enhancing the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The implementation of this statement did not have a significant impact on the Fund's financial statements for the year ended June 30, 2016.

(e) *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 Fund's share of the City Treasury's pool. All of the Fund's 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* and GASB Statement No. 72. 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 Fund's position in the pool. Interest earned from time deposits and investments is allocated monthly to the Fund based on average daily cash balance. At June 30, 2016, the City Treasury's pool is unrated and has a weighted average maturity of 623 days. The Fund's investments in the City Treasury's pool is exempt from fair value hierarchy disclosure.



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 F Fund (Fund) of the City of Fremont, California (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2016.

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 a 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 Fund’s 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 5, 2016



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

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 F Fund (Agreement), for the year ended June 30, 2016. 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 F Fund as specified in the Agreement for the year ended June 30, 2016.

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 5, 2016