

City of Newark

Measure B Funds

Newark, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2010

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

Table of Contents

	<u>Page</u>
Independent Auditors’ Report	1
Financial Statements:	
Combined Balance Sheets	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances	4
Notes to Financial Statements	5
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	10
Independent Auditors’ Report on Measure B Compliance	12

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Newark
Newark, 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 Newark, California (City), as of and for the year ended June 30, 2010, as listed in the foregoing 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.

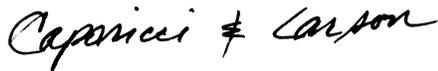
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Alameda County Transportation Improvement Authority Measure B Funds are intended to present the financial position, and changes in financial position of only that portion of the City of Newark, California that is attributable to Measure B funds. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2010 and 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 in the first paragraph present fairly, in all material respects, the financial position of the City's Measure B Funds as of June 30, 2010, and changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

To the Honorable Mayor and Members of City Council
of the City of Newark
Newark, California
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, on our consideration of the City's Measure B Funds internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing on 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 read in conjunction with this report in assessing the results of our audits.



San Francisco, California
December 17, 2010

City of Newark
Alameda County Transportation Improvement Authority - Measure B Funds
Combined Balance Sheets
June 30, 2010

	Measure B ACTIA Paratransit	ACTIA Streets and Roads	ACTIA Bikes and Pedestrians	ACTIA Measure B	Total
ASSETS:					
Cash and investments	\$ 25,194	\$ 652,329	\$ -	\$ 244,719	\$ 922,242
Intergovernmental receivables	20,630	52,772	15,329	-	88,731
Interest receivables	35	1,276	-	337	1,648
Due from other funds	-	15,589	-	-	15,589
Total assets	\$ 45,859	\$ 721,966	\$ 15,329	\$ 245,056	\$ 1,028,210
LIABILITIES AND FUND BALANCES:					
Accounts payable and accrued liabilities	\$ 17,495	\$ 47,922	\$ 12,000	\$ 22,294	\$ 99,711
Due to other funds	-	-	15,589	-	15,589
Total liabilities	17,495	47,922	27,589	22,294	115,300
Fund Balance:					
Unreserved:					
Designated for capital projects	28,364	674,044	(12,260)	222,762	912,910
Total fund balances	28,364	674,044	(12,260)	222,762	912,910
Total liabilities and fund balances	\$ 45,859	\$ 721,966	\$ 15,329	\$ 245,056	\$ 1,028,210

See accompanying Notes to Financial Statements.

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

	Measure B ACTIA Paratransit	ACTIA Streets and Roads	ACTIA Bikes and Pedestrians	ACTIA Measure B	Total
REVENUES:					
Measure B revenue	\$ 128,774	\$ 329,412	\$ 95,688	\$ -	\$ 553,874
Charges for services	11,616	-	-	-	11,616
Use of money and property	93	5,284	3	1,769	7,149
Other		5,429	3,745	-	9,174
Total revenues	140,483	340,125	99,436	1,769	581,813
EXPENDITURES:					
Streets and Parks	-	906,539	120,000	100,405	1,126,944
Recreation	133,684	-	-	-	133,684
Total expenditures	133,684	906,539	120,000	100,405	1,260,628
REVENUES OVER (UNDER) EXPENDITURES	6,799	(566,414)	(20,564)	(98,636)	(678,815)
FUND BALANCES:					
Beginning of year	21,565	1,240,458	8,304	321,398	1,591,725
End of year	\$ 28,364	\$ 674,044	\$ (12,260)	\$ 222,762	\$ 912,910

See accompanying Notes to Financial Statements.

City of Newark

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 Newark, California (City), are included as a separate special revenue fund 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, local streets and roads, and bike and pedestrian programs. The accompanying financial statements are for Measure B Funds only and are not intended to fairly present the financial position of the City.

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 sheet. Operating statements of governmental funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

C. *Fund Accounting*

The operations of the Measure B Funds are accounted for in separate special revenue funds. The funds are separate accounting entities with a set of self-balancing accounts which comprise their assets, liabilities, fund equity, revenues, and expenses.

D. *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. MEASURE B FUNDS

Under Measure B, approved by the voters of Alameda County in 1986 (ACTA Old 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.

City of Newark

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

2. MEASURE B FUNDS, Continued

Major projects funded by Measure B were as follows:

Paratransit Program – To provide transit services for seniors and people with disabilities.

Streets and Roads Program – To improve, repair, and overlay city streets.

Bike and Pedestrian Program – To provide sidewalk and American Disability Act (ADA) improvements and to implement the bikeway network.

3. CASH AND INVESTMENTS

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

The City pools its available cash for investment purposes. The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

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

Cash and Investments \$922,242

A. Investments

Under the provisions of the City’s investment policy, and in accordance with California Government Code, the following investments are authorized:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Minimum Credit Quality Requirements</u>
California Local Agency Investment Fund	None	None	None
Securities of the U.S. Government	5 years	None	None
Banker Acceptances	180 days	40%	None
Collateralized Certificates of Deposit	5 years	50%	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	25%	A-1
Repurchase Agreements	1 year	50%	None
Reverse Repurchase Agreements	92 days	50%	None

City of Newark

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

3. CASH AND INVESTMENTS, Continued

A. Investments, Continued

Under the provisions of bond indentures, the following are authorized investment types for investments held by fiscal agents:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality Requirements
U.S. Treasury Obligations	None	None
Federal Housing Administration Bonds	None	None
U.S. Agency Securities	None	None
Senior Debt Obligations	None	Aaa, AAA
FDIC Insured Deposits	None	None
Unsecured Certificates of Deposits, Time Deposits, and Banker's Acceptances	360 days	A-1 , P-1
Commercial Paper	270 days	A-1 , P-1
Money Market Funds	None	AAAam , AAAm-G
State Obligations	None	A, A3
Pre-funded Municipal Obligations	None	Aaa, AAA
Investment Agreements	None	AA , Aa
Repurchase Agreements	None	A
California Arbitrage Management Program	None	None
California Local Agency Investment Fund	None	None
Investment approved by Municipal Bond Insurer	None	None

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units. The City’s investments are carried at fair market value as required by generally accepted accounting principles. The City accounts for all changes in fair value that occurred during the year and are reflected in the fund balance for the fiscal year. These investment value changes are unrealized since the City’s policy is to hold and buy investments until maturity dates.

B. Risk Disclosures

Interest Risk – Interest rate risk is the fluctuation in fair value of investment due to changes in interest rates. The City’s exposure to losses caused by rising interest rates is minimized by limiting the average maturity of the City’s investment not to exceed five years.

Credit Risk – Credit risk is the risk of loss of value of a security or investment due to downgrade of its rating due to a change in the ability of the issuer to fulfill its debt obligation. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio will be invested in a single security type or with a single financial institution to reduce the City’s exposure to credit risks.

City of Newark

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

3. CASH AND INVESTMENTS, Continued

B. Risk Disclosures, Continued

Custodial Credit Risk – The custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, 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. None of the City's investments were subject to custodial credit risk.

C. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The balance is available for withdrawal on demand. The City's investments with LAIF at June 30, 2010, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments 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 that have embedded forwards or options.

Asset-Backed Securities the bulk of which are mortgage-backed securities, entitle their 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 (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30 2010, the City invested in LAIF, which had invested 5.42% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The fair value of LAIF was calculated by applying a factor of 1.001643776 to total investments held by LAIF.

4. INTERGOVERNMENTAL RECEIVABLES

The intergovernmental receivables represent the Measure B sales tax revenues for the fiscal year received from the Alameda County Transportation Improvement Authority after June 30, 2010.

5. COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs are subject to any further examination by the grantors and the amount, in 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 Newark

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

6. CURRENT YEAR OPERATING DEFICITS

The Measure B funds have operating deficits for the current fiscal year as the City did not spend the entire 2009 allocation of Measure B funds in the fiscal year ended June 30th, 2009. Unspent proceeds in the fund balance was spent in the fiscal year ended June 30, 2010 along with the current allocation of Measure B funds making the expenditures higher than current year revenues and therefore creating operating deficits. The City have no plans of addressing the deficit since they can only spend the money they receive from ACTIA.

**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 Newark
Newark, 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 Newark (City) as of and for the year ended June 30, 2010, as listed in the foregoing table of contents and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Measure B Fund's internal control over financial reporting 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 Measure B Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's Measure B Fund'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.

Honorable Mayor and Members of City Council
of the City of Newark
Newark, California
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Measure B Funds 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 statements. 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 result 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 for the information of the City Council, management, and the Alameda County Transportation Improvement Authority. However, this report is a matter of public record and its distribution is not limited

Capricci & Carson

San Francisco, California
December 17, 2010

INDEPENDENT AUDITORS' REPORT ON MEASURE B COMPLIANCE

To the Honorable Mayor and Members of City Council
of the City of Newark
Newark, 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 Newark, California (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 17, 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 State of California 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 City is the responsibility of City 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 \$329,412, the Bike and Pedestrian program has received \$95,688, and the Paratransit program has received \$128,774. This financial statement reflects twelve months of revenue for the Local Streets and Roads, the Bike and Pedestrian, and the Paratransit Measure B programs.

In our opinion the City of Newark 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 for the information of the City Council, management, and the Alameda County Transportation Improvement Authority. However, this report is a matter of public record and its distribution is not limited.



San Francisco, California
December 17, 2010