

City of Newark

Measure B Funds

Newark, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2011

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

City of Newark
Alameda County Transportation Improvement Authority – Measure B Funds
Financial Statements
For the year ended June 30, 2011

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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, 2011, 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, 2011 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, 2011, and changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*, as of July 1, 2010.

To the Honorable Mayor and Members of City Council
of the City of Newark
Newark, California
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011, 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.

The City 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, although not be part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Caporicci & Larson, Inc.

Caporicci & Larson Inc
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 27, 2011

City of Newark
Alameda County Transportation Improvement Authority - Measure B Funds
Combined Balance Sheets
June 30, 2011

	Special Revenue Funds				Total
	Measure B	ACTIA	ACTIA	ACTA	
	ACTIA	Streets and	Bikes and	Measure B	
	Paratransit	Roads	Pedestrians		
ASSETS:					
Cash and investments	\$ 28,158	\$ 799,459	\$ 66,553	\$ 85,708	\$ 979,878
Intergovernmental receivables	37,777	96,637	28,071	-	162,485
Interest receivables	29	672	82	85	868
Other assets	-	-	-	3,295	3,295
Total assets	\$ 65,964	\$ 896,768	\$ 94,706	\$ 89,088	\$ 1,146,526
LIABILITIES AND FUND BALANCES:					
Accounts payable and accrued liabilities	\$ 7,875	\$ 62,870	\$ -	\$ -	\$ 70,745
Total liabilities	7,875	62,870	-	-	70,745
Fund Balance:					
Restricted	58,089	833,898	94,706	89,088	1,075,781
Total fund balances	58,089	833,898	94,706	89,088	1,075,781
Total liabilities and fund balances	\$ 65,964	\$ 896,768	\$ 94,706	\$ 89,088	\$ 1,146,526

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
For the year ended June 30, 2011

	Special Revenue Funds				Total
	Measure B	ACTIA	ACTIA	ACTA	
	ACTIA	Streets and	Bikes and	Measure B	
	Paratransit	Roads	Pedestrians		
REVENUES:					
Measure B revenue	\$ 143,689	\$ 367,566	\$ 106,771	\$ -	\$ 618,026
Charges for services	13,758	280	-	-	14,038
Use of money and property	49	1,845	195	94	2,183
Other	-	171	-	-	171
Total revenues	157,496	369,862	106,966	94	634,418
EXPENDITURES:					
Streets and Parks	-	210,008	-	133,768	343,776
Recreation	127,771	-	-	-	127,771
Total expenditures	127,771	210,008	-	133,768	471,547
REVENUES OVER (UNDER)					
EXPENDITURES	29,725	159,854	106,966	(133,674)	162,871
FUND BALANCES:					
Beginning of year	28,364	674,044	(12,260)	222,762	912,910
End of year	\$ 58,089	\$ 833,898	\$ 94,706	\$ 89,088	\$ 1,075,781

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, 2011

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 or results of operations 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.

City of Newark

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. *New Pronouncements*

In 2011, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statement:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* – This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. There was no impact on the City’s net assets as a result of this implementation during the fiscal year, however the City reclassified its Measure B governmental fund balances as restricted.
- GASB Statement No. 59, *Financial Instruments Omnibus* – This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. There was no impact on the City’s net assets as a result of this implementation during the fiscal year.

F. *Subsequent Events*

Management has evaluated subsequent events through December 27, 2011, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

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.

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.

ACTA Measure B – This fund accounts for amounts received by ACTA (Alameda County Transportation Authority) as part of a 1986 sales tax measure passed by the voters of Alameda County to finance various transportation improvements. The measure expired in 2002, and the City no longer receives sales tax revenues related to the measure.

City of Newark
Alameda County Transportation Improvement Authority – Measure B Funds
Notes to Financial Statements, Continued
For the year ended June 30, 2011

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, 2011:

Cash and Investments \$979,878

A. Investments

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Minimum Credit Quality Requirements
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, 2011

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	AAAm, 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.

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.

City of Newark

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2011

3. CASH AND INVESTMENTS, Continued

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, 2011, 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 2011, the City invested in LAIF, which had invested 5.01% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City reports its investment in LAIF at amortized cost, which approximates the fair value. (The fair value factor of LAIF is 1.00157647.)

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, 2011.

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.

6. EXCESS EXPENDITURES OVER APPROPRIATIONS

The Measure B – ACTIA Paratransit fund had excess expenditures over appropriations of \$7,771.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Newark

Alameda County Transportation Improvement Authority – Measure B Funds

Required Supplementary Information

For the year ended June 30, 2011

1. BUDGETS AND BUDGETARY ACCOUNTING

The Agency follows the City's budgetary procedures in establishing the budgetary data reflected in the financial statements:

1. Every other year, the City Manager submits to the Governing Board a proposed biennial operating budget for the two fiscal years commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public work sessions are conducted to obtain taxpayer comments.
3. The budget is adopted by the Governing Board resolution prior to July 1st of even numbered years.
4. Expenditures may not legally exceed budgeted appropriations at the department level.
5. All budget adjustments and transfers between funds must be approved by the Governing Board by resolution during the fiscal year. The City Manager is authorized to transfer any unencumbered appropriations within a department within the same fund.
6. Formal budgetary integration, including the recording of encumbrances, is employed as a management control device during the year in all budgeted funds. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities at that date.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. Budgeted amounts are as originally adopted or as amended by the Governing Board. Individual amendments were not material in relation to the original appropriations, which were amended.

City of Newark
Required Supplementary Information, Continued
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure B - ACTIA Paratransit
For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Measure B revenue	\$ 120,000	\$ 120,000	\$ 143,689	\$ 23,689
Charges for services	11,000	11,000	13,758	2,758
Use of money and property	-	-	49	49
Total revenues	131,000	131,000	157,496	26,496
EXPENDITURES:				
Current:				
Recreation	120,000	120,000	127,771	(7,771)
Total expenditures	120,000	120,000	127,771	(7,771)
Net change in fund balance	\$ 11,000	\$ 11,000	29,725	\$ 34,267
FUND BALANCES:				
Beginning of year			28,364	
End of year			\$ 58,089	

City of Newark
Required Supplementary Information, Continued
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure B - ACTIA Streets and Roads
For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Measure B revenue	\$ 315,000	\$ 315,000	\$ 367,566	\$ 52,566
Charges for services	-	-	280	280
Use of money and property	-	-	1,845	1,845
Other	-	-	171	171
Total revenues	315,000	315,000	369,862	54,862
EXPENDITURES:				
Current:				
Streets and Parks	860,700	860,700	210,008	650,692
Total expenditures	860,700	860,700	210,008	650,692
Net change in fund balance	\$ (682,400)	\$ (895,000)	159,854	\$ 1,054,854
FUND BALANCES:				
Beginning of year			674,044	
End of year			\$ 833,898	

City of Newark
Required Supplementary Information, Continued
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure B - ACTIA Bikes and Pedestrians
For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Measure B revenue	\$ 91,600	\$ 91,600	\$ 106,771	\$ 15,171
Charges for services	-	-	-	-
Use of money and property	-	-	195	195
Total revenues	<u>91,600</u>	<u>91,600</u>	<u>106,966</u>	<u>15,366</u>
Net change in fund balance	<u>\$ 91,600</u>	<u>\$ 91,600</u>	106,966	<u>\$ 15,366</u>
FUND BALANCES:				
Beginning of year			<u>(12,260)</u>	
End of year			<u>\$ 94,706</u>	

City of Newark
Required Supplementary Information, Continued
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure B - ACTA Measure B
For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	-	-	94	94
Total revenues	-	-	94	94
EXPENDITURES:				
Current:				
Streets and parks	239,300	239,300	133,768	105,532
Total expenditures	239,300	239,300	133,768	105,532
Net change in fund balance	<u>\$ (239,300)</u>	<u>\$ (239,300)</u>	(133,674)	<u>\$ 105,626</u>
FUND BALANCES:				
Beginning of year			222,762	
End of year			<u>\$ 89,088</u>	

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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, 2011, and have issued our report thereon dated December 27, 2011. 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

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 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.

Caporicci & Larson, Inc.

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A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 27, 2011



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INDEPENDENT AUDITORS' REPORT ON MEASURE B COMPLIANCE

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

Compliance and Other Matters

We have audited the City of Newark, California (City)'s compliance with the agreement between the City and Alameda County Transportation Improvement Authority applicable to Measure B 2000 funds for the year ended June 30, 2011. Compliance with the 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 the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States; and the agreement between the City and Alameda County Transportation Improvement Authority. Those standards and the Agreement require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirement referred to above that could have a material effect on Measure B 2000 funds occurred. An audit includes examining, on 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 audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

Under Measure B, approved by the voters of Alameda County in 2000, the City has received under Alameda County Transportation Improvement Authority Measure B a total of 12 months of revenue from July 2010 through June 2011. The Paratransit program has received \$143,589, the Local Street and Roads program has received \$367,566, and the Bike and Pedestrian program has received \$106,771. This financial statement reflects twelve months of revenue for the Paratransit, Local Streets and Roads, and the Bike and Pedestrian programs.

In our opinion, the City is in compliance, in all material respects, with the laws and regulations, contracts, and grant requirements related to Measure B funds as specified in the agreement between the City and the Alameda County Transportation Improvement Authority for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. 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.

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

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 the City Council, management, and the Alameda County Transportation Improvement Authority and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson, Inc.

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A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 27, 2011