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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council
and City Auditor of the City of Piedmont, California

We have audited the financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds of the City of Piedmont, California) as of and for the year ended June 30, 2010 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.

In accordance with Government Auditing Standards, we have also issued our report November 12, 2010 on 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.

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Measure B Funds 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 financial position of the Measure B Funds at June 30, 2010 and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

December 3, 2010

Maze & Associates
CITY OF PIEDMONT  
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT  
AUTHORITY - MEASURE B FUNDS  
BALANCE SHEET  
JUNE 30, 2010

<table>
<thead>
<tr>
<th>Measure B 2000 Programs &amp; Projects</th>
<th>ACTA Measure B</th>
<th>ACTIA Streets and Roads</th>
<th>ACTIA Bike and Pedestrian</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$2,374</td>
<td>$303,655</td>
<td>$74,593</td>
<td>$380,622</td>
</tr>
<tr>
<td>Other receivables</td>
<td></td>
<td>77,168</td>
<td>6,199</td>
<td>83,367</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$2,374</td>
<td>$380,823</td>
<td>$80,792</td>
<td>$463,989</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other accrued liabilities</td>
<td></td>
<td>$140,618</td>
<td>$6,485</td>
<td>$147,103</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td></td>
<td>140,618</td>
<td>6,485</td>
<td>147,103</td>
</tr>
<tr>
<td>FUND BALANCES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreserved</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated for Measure B 2000 programs &amp; projects</td>
<td>$2,374</td>
<td>240,205</td>
<td>74,307</td>
<td>316,886</td>
</tr>
<tr>
<td>Total Fund Balances</td>
<td>$2,374</td>
<td>240,205</td>
<td>74,307</td>
<td>316,886</td>
</tr>
<tr>
<td>Total Liabilities and Fund Balances</td>
<td>$2,374</td>
<td>$380,823</td>
<td>$80,792</td>
<td>$463,989</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
CITY OF PIEDMONT
ALAMEDA COUNTY TRANSPORTATION IMPROVEMENT
AUTHORITY - MEASURE B FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

<table>
<thead>
<tr>
<th>Measure B 2000 Programs &amp; Projects</th>
<th>ACTA Measure B</th>
<th>ACTIA Streets and Roads</th>
<th>ACTIA Bike and Pedestrian</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td>$301,999</td>
<td>$24,262</td>
<td>$326,261</td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public works</td>
<td></td>
<td>340,911</td>
<td>79,349</td>
<td>420,260</td>
</tr>
<tr>
<td>Excess (Deficiency) of Revenues</td>
<td></td>
<td>(38,912)</td>
<td>(55,087)</td>
<td>(93,999)</td>
</tr>
<tr>
<td>Over (Under) Expenditures</td>
<td></td>
<td>(38,912)</td>
<td>(55,087)</td>
<td>(93,999)</td>
</tr>
<tr>
<td>Net Change in Fund Balances</td>
<td></td>
<td>(38,912)</td>
<td>(55,087)</td>
<td>(93,999)</td>
</tr>
<tr>
<td>Fund Balance, Beginning of Year</td>
<td>$2,374</td>
<td>279,117</td>
<td>129,394</td>
<td>410,885</td>
</tr>
<tr>
<td>Fund Balance, End of Year</td>
<td>$2,374</td>
<td>$240,205</td>
<td>$74,307</td>
<td>$316,886</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Alameda County Transportation Authority - Measure B Funds (Measure B Funds) of the City of Piedmont, California (City), are included as 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 streets and roads, and bicycle and pedestrian projects. The accompanying financial statements are for Measure B Funds only and are not intended to fairly present the financial position of the City or the results of its operations.

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.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are maintained on a pooled basis with those of other funds of the City. The City did not enter into any reverse repurchase agreements during fiscal year 2010. All investments are stated at fair value. Pooled investment earnings are allocated semi-annually based on the average semi-annual cash and investment balances of the City’s various funds.

See the City’s Basic Financial Statements for disclosures related to cash and investments and the related custodial risk categorization.
NOTE 3 – MEASURE B FUNDS

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.
REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MEASURE B 2000 FUNDS AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Piedmont, California

We have audited the financial statements of the Alameda County Transportation Improvement Authority - Measure B 2000 Funds of the City of Piedmont as of and for the year ended June 30, 2010, and have issued our report thereon dated December 3, 2010. We have 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City’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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s 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 statement amounts. Our audit included tests of compliance with provisions of the Measure B.

In our opinion, the City of Piedmont complied, in all material respects, with the requirements referred to above that are applicable to its Measure B Funds for the year ended June 30, 2010.

This report is intended for the information and use of the City Council, management, ACTIA, its Board and Committees, and members of the public that will examine the compliance information, and is not intended to be, and should not be used by anyone other than these specified parties.

Ward & Associates

December 3, 2010