

City of Pleasanton

Measure B Funds

Pleasanton, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2010

City of Pleasanton
Alameda County Transportation Improvement Authority – Measure B Funds

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Pleasanton
Pleasanton, 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 Pleasanton, 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 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.

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 Pleasanton, 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 above present fairly, in all material respects, the financial position of the Measure B Funds of the City as of June 30, 2010, and the respective changes in financial position and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States Of America.

To the Honorable Mayor and Members of City Council
of the City of Pleasanton
Pleasanton, California
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010 on our consideration of the Measure B Funds' internal control over financial reporting and 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 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 considering the results of our audits.

Caproni & Larson, Inc.

San Francisco, California
December 27, 2010

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

	Special Revenue Funds		Enterprise Fund	Total
	Measure B Street Repair	Measure B Bike and Pathway	Transit	
ASSETS				
Cash and investments	\$ 684,348	\$ 949,544	\$ -	\$ 1,633,892
Receivables:				
Taxes	140,553	40,991	-	181,544
Interest	3,804	5,258	-	9,062
Total assets	828,705	995,793	-	1,824,498
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	46,450	-	-	46,450
Total liabilities	46,450	-	-	46,450
Fund Balances:				
Unreserved:				
Designated for special purposes	782,255	995,793	-	1,778,048
Total fund balances	782,255	995,793	-	1,778,048
Total liabilities and fund balances	\$ 828,705	\$ 995,793	\$ -	\$ 1,824,498

See accompanying Notes to Financial Statements.

City of Pleasanton

Alameda County Transportation Improvement Authority - Measure B Funds

Combined Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2010

	Special Revenue Funds		
	Measure B Street Repair	Measure B Bike and Pathway	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Use of money and property	\$ 1,279	\$ 10,862	\$ 12,141
Taxes other than property	550,061	152,321	702,382
Intergovernmental	-	2,524	2,524
Total revenues	<u>551,340</u>	<u>165,707</u>	<u>717,047</u>
EXPENDITURES:			
Capital Outlay	<u>729,781</u>	<u>50,024</u>	<u>779,805</u>
Total operating expenditures	<u>729,781</u>	<u>50,024</u>	<u>779,805</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(178,441)</u>	<u>115,683</u>	<u>(62,758)</u>
FUND BALANCES:			
Beginning of year	<u>960,696</u>	<u>880,110</u>	<u>1,840,806</u>
End of year	<u>\$ 782,255</u>	<u>\$ 995,793</u>	<u>\$ 1,778,048</u>

See accompanying Notes to Financial Statements.

City of Pleasanton

Alameda County Transportation Improvement Authority - Measure B Funds

Statement of Revenues, Expenses and Changes in Net Assets

For the year ended June 30, 2010

	<u>Transit</u>
OPERATING EXPENSES:	
Personnel services	\$ 72,541
Total operating expenses	<u>72,541</u>
NONOPERATING REVENUES:	
Grants received	<u>72,541</u>
Total nonoperating revenues	<u>72,541</u>
NET ASSETS:	
Beginning of year	<u>-</u>
End of year	<u>\$ -</u>

See accompanying Notes to Financial Statements.

City of Pleasanton
Alameda County Transportation Improvement Authority - Measure B Funds
Statement of Cash Flows
For the year ended June 30, 2010

	<u>Transit</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash payment to employees for services	\$ (72,541)
Net cash provided (used) by operating activities	<u>(72,541)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Grant revenue received	72,541
Net cash provided (used) by noncapital financing activities	<u>72,541</u>
Net increase (decrease) in cash and cash equivalents	-
CASH AND CASH EQUIVALENTS:	
Beginning of year	-
End of year	<u>\$ -</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	\$ (72,541)
Decrease (increase) in:	
Accounts receivable	-
Interest receivable	-
Increase (decrease) in:	
Accounts payable	-
Net cash provided (used) by operating activities	<u>\$ (72,541)</u>

See accompanying Notes to Financial Statements.

City of Pleasanton

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements

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 Pleasanton, California (City), are included as separate special revenue and enterprise funds in the basic financial statements of the City. Measure B Funds are used to improve the quality of existing roads by reconditioning existing pavement surfaces. Every two years, the City's street pavements are evaluated and reconditioning decisions are managed through the City's computerized Pavement Management System. Measure B funds are also used for bicycle and pedestrian pathways and for paratransit programs. The accompanying financial statements are for Measure B Funds only and are not intended to fairly present the financial position of the City and the results of its operations and cash flows of its proprietary fund type.

B. *Basis of Accounting*

Governmental Fund Financial Statements

The accompanying financial statements of special revenue funds 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 increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary Fund Financial Statements

The financial statements of the enterprise fund are prepared on the accrual basis of accounting. Revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

All proprietary funds are accounted for using the "economic resources" measurement focus. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

C. *Description of Funds*

The accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts.

City of Pleasanton

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, Continued

C. Description of Funds, Continued

The following funds are used:

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.

Enterprise Fund – To account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be recovered through user charges.

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.

E. Fund Balances

Reservations of fund balances indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to a specific use honored during the subsequent fiscal year.

2. CASH AND INVESTMENTS

Cash and investments are maintained on a pooled basis with those of other funds of the City. Pooled cash and investments consist of U.S. government securities, deposits with banks, money market funds, certificates of deposit and participation in the California Local Agency Investment Fund. All investments are stated at fair value. Pooled investment earnings are allocated based on the average cash and investment balances of the various funds and related entities of the City. For purposes of the statement of cash flows of the Measure B funds, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

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

Cash and Investments	\$1,633,892
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City of Pleasanton

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

Investments

Under the provisions of the City's investment policy, and in accordance with Section 53601 of California Government Code, the City may invest or deposit in the following:

- Bankers' acceptances
- Commercial paper
- Local Agency Investment Fund
- Mutual funds
- Medium-term corporate notes
- Money market funds
- Negotiable certificates of deposit
- Repurchase agreements
- Securities of the Federal government or its agencies

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end and the effects of these adjustments are included in income for that fiscal year.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy limits investments to a maximum maturity of five years.

Disclosures Relating to Credit Risk

State law limits investments in commercial papers and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standards & Poor's and Moody's Investor's Service.

Concentration of Credit Risk

The City's policy has the same maturity limits as the California Government Code. The City is allowed to purchase mutual funds up to 20% of the value of the portfolio. There are no specified maximum percentages for U.S. Treasury Obligations, U.S. Agencies, and the external investment pool.

City of Pleasanton

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

External Investment Pool

The City is a participation in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2010, included a portion of the pool funds invested in Structured notes and asset-backed securities:

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 CMS) or credit card receivables.

As of June 30 2010, 5.42% of LAIF's portfolio was invested in Structured Notes and Asset-Backed Securities. Fair value of LAIF was calculated by applying a factor of 1.001643776 to total investments held by LAIF. The fair value of the City's position in the pool is substantially equivalent to the value of the pool share.

3. TAXES RECEIVABLES

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

4. COMMITMENTS AND CONTINGENCIES

The City participates in several grant programs. These programs may be subject to further examination by the grantors and the amount, of expenditures if any which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

5. MEASURE B FUNDS

Under Measure B, approved by the voters of Alameda County in 1986 (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:

Citywide Street Overlays – To apply asphalt overlay on selected streets throughout the City.

Paratransit Program – To provide transit services for the elderly and the handicapped.

City of Pleasanton

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2010

5. MEASURE B FUNDS, Continued

From a pool of funds held by the County, 10.5% is allocated for distribution as a subsidy to cities with paratransit programs. Funds allocated to the City for the paratransit program are received recorded in an enterprise fund.

An additional 16.77% of the pool 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 special revenue funds.



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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 Pleasanton
Pleasanton, California

We have audited the basic financial statements of the Alameda County Transportation Improvement Authority - Measure B Funds (Measure B Funds) of the City of Pleasanton, California (City) as of and for the fiscal year ended June 30, 2010 and have issued our report thereon dated December 27, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Measure B Funds' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Measure B Funds' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Measure B Funds' 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 Measure B Funds' 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.

To the Honorable Mayor and Members of City Council
of the City of Pleasanton
Pleasanton, California
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Measure B Funds' basic financial statements are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, and Alameda County Transportation Improvement, 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.

Caproni & Larson, Inc.
San Francisco, California
December 27, 2010



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INDEPENDENT AUDITORS' REPORT ON MEASURE B COMPLIANCE

To the Honorable Mayor and Members of City Council
of the City of Pleasanton
Pleasanton, 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 Pleasanton, California (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 27, 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 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 pertaining to the Street Repair and Bike and Pathway project which incurred project expenditures of \$779,805 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 \$550,061, the Bike and Pedestrian program has received \$152,321, and the Paratransit program has received \$72,541. This financial statement reflects twelve months of revenue for the Local Streets and Roads, the Bike and Pedestrian, and the Paratransit programs.

In our opinion the City of Pleasanton 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 solely for the information and use of the City Council, management, and Alameda County Transportation Improvement, 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.

San Francisco, California
December 27, 2010