

City of Union City

Measure B Funds

Union City, California

*Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2011

City of Union City
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 Union City
Union City, California

We have audited the accompanying financial statements of the Alameda County Transportation Commission - Measure B Funds (Measure B Funds) of the City of Union City, 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 Measure B Funds are intended to present the financial position and the changes in financial position of the Measure B Funds. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2011, or the changes in its financial position or, where applicable, cash flows thereof 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 City's Measure B Funds as of June 30, 2011, and changes in financial position and, where applicable, cash flows 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 Union City
Union City, 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 internal control over financial reporting as it relates to the Measure B Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 16 through 18 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the budgetary comparison 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 financial statements, and other knowledge we obtained during our audit of the 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.

The management of Measure B funds has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of the financial statements.

Caporicci & Larson, Inc.

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

City of Union City
Alameda County Transportation Improvement Authority - Measure B Funds
Combined Balance Sheets and Statements of Net Assets
June 30, 2011

	Special Revenue Fund		Enterprise Fund		Total
	ACTIA Streets & Roads	ACTIA Bike & Pedestrian	Measure B ACTIA Paratransit	Measure B Bike & Pedestrian	
ASSETS					
Cash and investments	\$ 2,650,954	\$ 1,007,554	\$ -	\$ -	\$ 3,658,508
Receivables:					
Accounts	33,079	-	-	-	33,079
Intergovernmental	153,788	47,159	-	-	200,947
Total assets	\$ 2,837,821	\$ 1,054,713	\$ -	\$ -	\$ 3,892,534
LIABILITIES AND NET ASSETS/FUND BALANCES					
Accounts payable	\$ 33,766	\$ 11,111	\$ -	\$ -	\$ 44,877
Total liabilities	33,766	11,111	-	-	44,877
Net Assets/Fund Balance					
Fund Balance:					
Restricted for:					
- Street Maint/Improvement	2,804,055	1,043,602	-	-	3,847,657
Total net assets/fund balances	2,804,055	1,043,602	-	-	3,847,657
Total liabilities and net assets/ fund balances	\$ 2,837,821	\$ 1,054,713	\$ -	\$ -	\$ 3,892,534

See accompanying Notes to Financial Statements.

City of Union City

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 Fund		
	ACTIA	ACTIA	
	Streets & Roads	Bike & Pedestrian	Total
REVENUES:			
Taxes and assessments	\$ 584,946	\$ 179,372	\$ 764,318
Investment earnings	23,249	9,363	32,612
Other revenues	33,080	-	33,080
Total revenues	641,275	188,735	830,010
EXPENDITURES:			
Capital outlay	165,254	166,828	332,082
Total expenditures	165,254	166,828	332,082
REVENUES OVER EXPENDITURES	476,021	21,907	497,928
FUND BALANCES:			
Beginning of year	2,328,034	1,021,695	3,349,729
End of year	\$ 2,804,055	\$ 1,043,602	\$ 3,847,657

See accompanying Notes to Financial Statements.

City of Union City
Alameda County Transportation Improvement Authority - Measure B Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the year ended June 30, 2011

	Enterprise Fund		
	ACTIA	ACTIA	Total
	Mass Transit	Paratransit	
OPERATING EXPENSES:			
Personnel services	\$ 340,681	\$ 261,975	\$ 602,656
Total operating expenses	340,681	261,975	602,656
OPERATING LOSS:	(340,681)	(261,975)	(602,656)
NONOPERATING REVENUES:			
Grants received	340,681	261,975	602,656
Total nonoperating revenues	340,681	261,975	602,656
Change in net assets	-	-	-
NET ASSETS:			
Beginning of year	-	-	-
End of year	\$ -	\$ -	\$ -

See accompanying Notes to Financial Statements.

City of Union City
Alameda County Transportation Improvement Authority - Measure B Funds
Statement of Cash Flows
For the year ended June 30, 2011

	Enterprise Fund		
	ACTIA	ACTIA	Total
	Mass Transit	Paratransit	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash payment to employees for services	\$ (340,681)	\$ (261,975)	\$ (602,656)
Net cash (used) by operating activities	<u>(340,681)</u>	<u>(261,975)</u>	<u>(602,656)</u>
CASH FLOWS FROM NONCAPITAL NONOPERATING REVENUES:			
Grant revenue received	340,681	261,975	602,656
Net cash provided by noncapital financing activities	<u>340,681</u>	<u>261,975</u>	<u>602,656</u>
Net (decrease) in cash and cash equivalents	(681,362)	(523,950)	(1,205,312)
CASH AND CASH EQUIVALENTS:			
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating loss	(340,681)	(261,975)	(602,656)
Net cash provided (used) by operating activities	<u>\$ (340,681)</u>	<u>\$ (261,975)</u>	<u>\$ (602,656)</u>

See accompanying Notes to Financial Statements.

City of Union City
Alameda County Transportation Improvement Authority – Measure B Funds
Notes to Financial Statements
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 Union City, 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 account for the City's share of revenues earned and expenditures incurred under the City's paratransit, transit and capital programs. The accompanying financial statements are for Measure B Funds only and are not intended to fairly present the financial position or results of operation of the City.

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 funds 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 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.

City of Union City
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

C. Fund Accounting

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 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. Fund Balance

The City has adopted the provisions of GASB Statement No. 54 Fund Balance and Governmental Fund Type Definitions. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The Governmental Fund statements conform to this new classification.

Statement 54 distinguishes fund balance between amount that are considered non-spendable such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that controls the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable – assets that will never convert to cash or soon enough to affect the current period. Resources that must be maintained intact pursuant to legal or contractual requirements.
- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed – amounts constrained by a government using its highest level of decision-making authority.
- Assigned – amounts a government intends to use for particular purpose.
- Unassigned – amounts that not constrained at all.

City of Union City
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. 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.

F. Statement of Cash Flows

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

G. 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.

H. 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.

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

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 help fund ADA (Americans with Disabilities Act) mandated service; to help fund the Union City “Paratransit Plus” program which offers an expanded service area, group trips for seniors and the disabled, as well as urgent medical trips; and to help fund extended weekday service hours.

Mass Transit Program – To help fund the operations of the City’s own bus system, Union City Transit. This system operates daily (except for holidays) and provides local transit service to major destinations within the City. Union City Transit makes connections with other transit systems including BART, AC Transit and the Dumbarton Express.

Streets and Roads Program – To help fund several small projects including the GIS program, paving maintenance and slurry seal, audible pedestrian signals, a new traffic signal and wheelchair ramps.

Bike and Pedestrian Program – To help fund pedestrian and bicycle access around the Union City BART Station area as part of the 11th Street Enhancement/Decoto Road Connector Project. In addition, funds were used towards development of a master bike and pedestrian path plan. Funding for this project came from Measure B sales tax and an ACTIA Bike and Pedestrian Path Discretionary grant.

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	\$3,658,508
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City of Union City
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

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	Minimum Credit Quality	Maximum Percentage of Portfolio
U.S. Agency and U.S. Government	5 years	N/A	No Limit
State of California Obligations	5 years	N/A	No Limit
CA Local Agency Obligations	5 years	N/A	No Limit
Prefunded Municipal Obligations	N/A	AAA	No Limit
Banker Acceptances	365 days	AAA	No Limit
Commercial Paper	270 days	AAAm	No Limit
Negotiable Certificates of Deposit	365 days	AAA	No Limit
Repurchase Agreements	1 year	AAA	No Limit
Money Market Mutual Funds	N/A	AAAm	No Limit
Collateralized Bank Deposits	5 years	None	No Limit
Mortgage Pass-Through Securities	5 years	AA	20%
Time Deposits	365 days	AAA	No Limit
Guaranteed Investment Contracts	N/A	AA	No Limit
California Local Agency Investment Fund	N/A	N/A	No Limit

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 market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City’s portfolio not to exceed five years.

City of Union City
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

B. Risk Disclosures, Continued

Credit Risk. The risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. It is the City's policy to limit its investments in these investment types to the top rating issued by nationally recognized statistical rating organizations (NRSROs), including raters Standard & Poor's and Moody's Investor's Service. At June 30, 2011, the City's credit risks, expressed on a percentage basis, were as follows:

External Pool	<u>Moody's</u>	<u>Standard & Poor's</u>
State of California - Local Agency Investment Fund	Not Rated	Not Rated

Custodial Credit Risk: For an investment, custodial credit risk 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, 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.)

City of Union City

Alameda County Transportation Improvement Authority – Measure B Funds

Notes to Financial Statements, Continued

For the year ended June 30, 2011

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.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Union City
Alameda County Transportation Improvement Authority – Measure B Funds
Required Supplementary Information
For the year ended June 30, 2011

1. BUDGETARY BASIS OF ACCOUNTING

A. *Budgetary Control and Budgetary Accounting*

The City Council adopts a two-year operating budget for the General Fund, Special Revenue funds and Debt Service funds. Each year the operating budget is effective July 1 and lapses the following June 30. Budgets are adopted on a basis consistent with generally accepted accounting principles. The budget is controlled at the department level in the General Fund and at the fund level for all other funds. The City's five-year capital improvement plan serves as the basis for the capital project budgets. Appropriations for Capital Project Funds are approved at the same time operating budgets are adopted. These appropriations are made in the fiscal year the capital project is scheduled to commence and are effective for the life of the project. Amendments to capital budgets may be approved by Council at any time during the project's life. As a result, budget to actual schedules are not presented.

The City Council may amend the budget by resolution during the fiscal year. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions which alter the total appropriations of any fund must be approved by the City Council. Transfers between funds must be approved by the City Council. There were certain amendments made to the budget during the year for changes in employee compensation plans and to address variances between the original budget and actual activities. These adjustments are reflected in the final budget information presented in the comparison schedules.

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end are carried forward into the following fiscal year.

City of Union City
Alameda County Transportation Improvement Authority - Measure B Funds
Required Supplementary Information, Continued
ACTIA Streets & Roads Special Revenue Fund
For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 541,500	\$ 541,500	\$ 584,946	\$ 43,446
Investment income	66,700	66,700	23,249	(43,451)
Other revenue	-	-	33,080	33,080
Total revenues	<u>608,200</u>	<u>608,200</u>	<u>641,275</u>	<u>33,075</u>
EXPENDITURES:				
Capital outlay	1,058,000	3,987,297	165,254	3,822,043
Total expenditures	<u>1,058,000</u>	<u>3,987,297</u>	<u>165,254</u>	<u>3,822,043</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (449,800)</u>	<u>\$ (3,379,097)</u>	476,021	<u>\$ 3,855,118</u>
FUND BALANCES:				
Beginning of year			<u>2,328,034</u>	
End of year			<u>\$ 2,804,055</u>	

City of Union City
Alameda County Transportation Improvement Authority - Measure B Funds
Required Supplementary Information, Continued
ACTIA Bike & Pedestrian Paths Special Revenue Fund
For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 174,000	\$ 174,000	\$ 179,372	\$ 5,372
Investment income	33,000	33,000	9,363	(23,637)
Other revenue	-	-	-	-
Total revenues	<u>207,000</u>	<u>207,000</u>	<u>188,735</u>	<u>(18,265)</u>
EXPENDITURES:				
Capital outlay	<u>85,000</u>	<u>566,537</u>	<u>166,828</u>	<u>399,709</u>
Total expenditures	<u>85,000</u>	<u>566,537</u>	<u>166,828</u>	<u>399,709</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 122,000</u>	<u>\$ (359,537)</u>	21,907	<u>\$ 381,444</u>
FUND BALANCES:				
Beginning of year			<u>1,021,695</u>	
End of year			<u>\$1,043,602</u>	



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

**INDEPENDENT AUDITORS' 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 Union City
Union City, California

We have audited the accompanying financial statements of the Alameda County Transportation Commission - Measure B Funds (Measure B Funds) of the City of Union City (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 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

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 internal control over financial reporting as it relates to the Measure B Funds as a basis for designing our auditing 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the City's Measure B Funds are free of material misstatement, 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Mayor, City Council, management, and the Alameda County Transportation Commission, and is not intended to be, and should not be, used by anyone other than these specified parties.

Caporicci & Larson, Inc.

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



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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

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

Compliance and Other Matters

We have audited the City of Union City, California (City)'s compliance with the agreement between the City and Alameda County Transportation Commission 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 Commission. Those standards and the Agreement require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements 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 Commission Measure B a total of 12 months of revenue from July 2010 through June 2011. The Local Street and Roads program has received \$584,946, the Bike and Pedestrian program has received \$179,372, the Mass Transit program has received \$340,681, and the Paratransit program has received \$261,975. This financial statement reflects twelve months of revenue for the Local Streets and Roads, the Bike and Pedestrian, The Mass Transit, and the Paratransit 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 2000 funds as specified in the agreement between the City and the Alameda County Transportation Commission 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 Union City
Union City, California

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 Commission and is not intended to be and should not be, used by anyone other than these specified parties.

Caporicci & Larson, Inc.

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