

City of Pleasanton

Alameda County
Transportation Commission-
Measure F Funds
Pleasanton, California

Financial Statements and
Independent Auditors' Reports

For the year ended June 30, 2014

CITY OF PLEASANTON

**ALAMEDA COUNTY TRANSPORTATION COMMISSION -
MEASURE F FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Alameda County Transportation Commission – Measure F Funds (the Program) of the City of Pleasanton, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatements, whether due to error or fraud.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure F Program as of June 30, 2014, results of operations, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Individual Fund Financial Statements

As discussed in Note 1, the financial statements of the Alameda County Transportation Commission - Measure F 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 F Funds. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2014 and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the City's internal control over financial reporting of the Measure F 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* in considering the City's internal control over financial reporting and compliance of the Program.

Varrinck, Trine, Day & Co., LLP.

Pleasanton, California
December 19, 2014

CITY OF PLEASANTON
ALAMEDA COUNTY TRANSPORTATION COMMISSION – MEASURE F FUNDS

BALANCE SHEET
JUNE 30, 2014

		Measure F Vehicle Registration Fees
<hr/>		
ASSETS		
Cash and investments		\$ 109,872
Receivables:		
Accounts		64,542
Interest		188
	Total Assets	<hr/> \$ 174,602 <hr/>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable		<hr/> \$ -
	Total Liabilities	<hr/> - <hr/>
Fund Balances:		
Restricted		<hr/> 174,602
	Total fund balances	<hr/> 174,602 <hr/>
	Total Liabilities and Fund Balances	<hr/> \$ 174,602 <hr/>

The accompanying notes are an integral part of these financial statements.

CITY OF PLEASANTON
ALAMEDA COUNTY TRANSPORTATION COMMISSION – MEASURE F FUNDS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Measure F Vehicle Registration Fees
REVENUES:	
Investment earnings	\$ 6,910
Vehicle registration fees	359,960
Total Revenues	<u>366,870</u>
EXPENDITURES:	
Construction	688,592
Total Expenditures	<u>688,592</u>
REVENUES OVER/(UNDER) EXPENDITURES	<u>(321,722)</u>
FUND BALANCES:	
Beginning of year	496,324
End of year	<u>\$ 174,602</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PLEASANTON
ALAMEDA COUNTY TRANSPORTATION COMMISSION – MEASURE F FUNDS

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Alameda County Transportation Commission – Measure F Funds (the Program) of the City of Pleasanton, California (City), are included as a separate special revenue fund in the basic financial statements of the City. Measure F funds are used to repair and maintain local streets and roads; improve traffic flow and bicyclist, pedestrian and driver safety; improve public transportation; and encourage green transportation options. The accompanying financial statements are for the Program only and are not intended to fairly present the financial position of the City and the results of its operations of its governmental fund type.

B. Basis of Accounting

Governmental Fund Financial Statements

The accompanying financial statements of a special revenue fund 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.

C. Description of Funds

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

Special Revenue Fund - To account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

The governmental fund balances are reported under five classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

**CITY OF PLEASANTON
ALAMEDA COUNTY TRANSPORTATION COMMISSION – MEASURE F FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Fund Balances, continued

Restricted fund balance represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

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.

Measure F Fund had the following cash and investments at June 30, 2014:

Cash and Investments	\$109,872
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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.

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.

CITY OF PLEASANTON
ALAMEDA COUNTY TRANSPORTATION COMMISSION – MEASURE F FUNDS

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

2. CASH AND INVESTMENTS, CONTINUED

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.

External Investment Pool

The City is a participant 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, 2014 included a portion of the pooled 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 2014, 1.09% of LAIF's portfolio was invested in Structured Notes and Asset-Backed Securities. Fair value of LAIF was calculated by applying a factor of 1.00029875 to total investments held by LAIF. The City's fair value position in the pool is substantially equivalent to the value of the pool share.

3. ACCOUNTS RECEIVABLE

The accounts receivables represent the Measure F vehicle registration fee revenues for the fiscal year received from the Alameda County Transportation Commission after June 30, 2014.

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.

CITY OF PLEASANTON
ALAMEDA COUNTY TRANSPORTATION COMMISSION – MEASURE F FUNDS

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. MEASURE F FUNDS

Under the Measure F Alameda County Vehicle Registration Fee (VRF) Program, approved by the voters of Alameda County in November 2010, the City receives a portion of the proceeds of the \$10 per year vehicle registration fee to be used for transportation related expenditures.

The goal of the VRF program is to sustain the County's transportation network and reduce traffic congestion and vehicle related pollution. The program includes four categories of projects:

- Local Road Improvement and Repair Program (60 percent)
- Transit for Congestion Relief (25 percent)
- Local Transportation Technology (10 percent)
- Pedestrian and Bicyclist Access and Safety Program (5 percent)

Alameda County Transportation Commission will distribute an equitable share of the funds among the four planning areas of the county over successive five year cycles. Geographic equity will be measured by a formula, weighted 50 percent by population of the planning area and 50 percent of registered vehicles of the planning area.



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**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 Pleasanton
Pleasanton, California

We have audited, 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, the financial statements of the Alameda County Transportation Commission – Measure F Funds (the Program) of the City of Pleasanton, California (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Program's basic financial statements, and have issued our report thereon dated December 19, 2014. Our report also included an emphasis of a matter stating that the financial statements present only the Program and do not purport to, and do not, present fairly the financial position of the City of Pleasanton, California as of June 30, 2014, and the changes in its financial position, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) of the Program to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 entity'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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we did not consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program'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. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinck, Trine, Day & Co., LLP.

Pleasanton, California
December 19, 2014



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INDEPENDENT AUDITORS' REPORT ON MEASURE F COMPLIANCE REQUIREMENTS

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

We have audited the Measure F Funds of the City of Pleasanton's (the City) compliance with the requirements described in the Measure F Sales Tax Master Program Funding agreement between the City and the Alameda County Transportation Commission (ACTC) that could have a direct and material effect to its Measure F Funds for the year ended June 30, 2014.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its Measure F Funds.

Auditors' Responsibility

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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide 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 direct and material effect on the Measure F Funds occurred. An audit includes examining, on a 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 on compliance. However, our audit does not provide a legal determination on the City's compliance with those requirements.

Opinion

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its Measure F Funds for the year ended June 30, 2014.

The purpose of this report on compliance is solely to describe the scope of our testing over compliance and the results of that testing based on Measure F Sales Tax Master Program Funding agreement between the City and the Alameda County Transportation Commission (ACTC). Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP.
Pleasanton, California
December 19, 2014