PRELIMINARY OFFICIAL STATEMENT DATED MARCH 26, 2012

NEW ISSUE — BOOK-ENTRY ONLY

RATING:
Standard & Poor's: "AA+" with a **"stable outlook"**
(See **"MISCELLANEOUS — Rating"** herein).

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to compliance by the City with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See ***"TAX MATTERS"*** *herein.*

$8,415,000*
CITY OF FREMONT
(Alameda County, California)
2012 GENERAL OBLIGATION REFUNDING BONDS

Dated: Date of Delivery **Due: February 1 or August 1, as shown below**

The Bonds are issued by the City of Fremont (the "City") to refund the City's General Obligation Bonds, Election of 2002, Series A, and pay costs of issuance. The City is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the City (except certain personal property which is taxable at limited rates), for the payment of interest on, and principal of, the Bonds, all as more fully described herein under **"THE BONDS"** and **"*AD VALOREM* PROPERTY TAXATION."** Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2012. The Bonds, when delivered, will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds as described herein under **"BOOK-ENTRY SYSTEM."** *The Bonds due on or before August 1, 2020, are not subject to optional redemption; the Bonds due on and after August 1,2021 are subject to optional redemption on or after August 1, 2020 as described herein.*

The following firm, serving as financial advisor to the City, has structured this issue:

KNN public finance
A Division of Zions First National Bank

MATURITY SCHEDULE
(Base CUSIP No.: _________ -) [(a)]

Maturity	Principal Amount	Interest Rate	Yield	CUSIP Suffix	Maturity	Principal Amount	Interest Rate	Yield	CUSIP Suffix
Feb. 1 2013	$140,000				Aug. 1 2023	$400,000			
Aug. 1 2013	350,000				Aug. 1 2024	410,000			
Aug. 1 2014	350,000				Aug. 1 2025	425,000			
Aug. 1 2015	355,000				Aug. 1 2026	440,000			
Aug. 1 2016	355,000				Aug. 1 2027	455,000			
Aug. 1 2017	355,000				Aug. 1 2028	470,000			
Aug. 1 2018	360,000				Aug. 1 2029	485,000			
Aug. 1 2019	365,000				Aug. 1 2030	505,000			
Aug. 1 2020	370,000				Aug. 1 2031	520,000			
Aug. 1 2021	380,000				Aug. 1 2032	540,000			
Aug. 1 2022	385,000								

Bids for the purchase of the Bonds will be received by the City on Tuesday, April 10, 2012, electronically, through the I-Deal LLC BiDCOMP/PARITY© system, or by fax, until 10:00 a.m., Pacific Daylight time. The Bonds will be sold pursuant to the terms of sale set forth in the Official Notice of Sale, dated March 26, 2012. The Bonds will be offered when, as and if issued by the City and received by the Underwriter, subject to the approval of legality by Quint & Thimmig LLP, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York, on or about May 15, 2012

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

Official Statement Date: April__, 2012.

[(a)] *CUSIP is a registered trademark of the American Bankers Association. CUSIP data on the cover hereof is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The City, the Financial Advisor and the Underwriter are not responsible for the selection or correctness of these CUSIP numbers.*

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*Preliminary; subject to change.

No dealer, broker, salesperson or other person has been authorized by the City of Fremont (the "City") to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The summaries and descriptions of documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such document, statute and constitutional provision.

The information set forth herein, other than that provided by the City, has been obtained from sources which the City believes to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE PRICES AND OTHER TERMS OF THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER SUCH BONDS ARE RELEASED FOR SALE AND SUCH BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES FOR SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT.

CITY OF FREMONT

CITY COUNCIL

Gus Morrison
Mayor

Anu Natarajan
Vice Mayor

Bill Harrison
Council Member

Suzanne Lee Chan
Council Member

Dominic Dutra
Council Member

CITY STAFF

Fred Diaz
City Manager

Mark Danaj
Assistant City Manager

Harriet V. Commons
Finance Director

Nadine Nader
City Clerk

Harvey E. Levine
City Attorney

PROFESSIONAL SERVICES

BOND COUNSEL

Quint & Thimmig LLP
San Francisco, California

FINANCIAL ADVISOR

KNN Public Finance
A Division of Zions First National Bank
Oakland, California

PAYING AGENT

Wells Fargo Bank, National Association
San Francisco, California

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OFFICIAL STATEMENT

$8,415,000*
CITY OF FREMONT
(Alameda County, California)
2012 GENERAL OBLIGATION REFUNDING BONDS

INTRODUCTION

This introduction is not a summary of this official statement (the "Official Statement"). It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $_____________,000* principal amount of City of Fremont (Alameda County, California) 2012 General Obligation Refunding Bonds (the "Bonds"), as described more fully herein.

The City

The City of Fremont (the "City") is located in southeast Alameda County (the "County") approximately 40 miles southeast of San Francisco. The City was incorporated in 1956, and has a population of approximately 215,711. See **"THE CITY"** and **"ECONOMIC PROFILE"** herein.

Sources of Payment for the Bonds

The Bonds are obligations of the City for which the City is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the City (except certain personal property which is taxable at limited rates), as necessary for payment of interest on and principal of the Bonds. See **"THE BONDS — Security and Sources of Payment", "*AD VALOREM* PROPERTY TAXATION"** and **"CITY TAX BASE INFORMATION"** herein.

Purpose of the Bonds

Proceeds of the Bonds will be used to fund the redemption of the City's General Obligation Bonds, Election of 2002, Series A (the "Series A Bonds") maturing on or after August 1, 2013 (the "Refunded Bonds"), and pay costs of issuance of the Bonds. The Series A Bonds maturing August 1, 2012 will be paid from tax revenues and not from proceeds of the Bonds. See **"THE BONDS — Purpose of the Bonds."**

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*Preliminary; subject to change.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the California Government Code (the "Government Code") and other applicable law, and pursuant to a resolution adopted by the City Council of the City on December 20, 2011 (the "Resolution"). See **"THE BONDS — Authority for Issuance"** herein.

Description of the Bonds

The Bonds will be issued as fully registered bonds, without coupons, in denominations of $5,000 each or in any integral multiple thereof, maturing in the amounts and on the dates shown on the cover hereof, and will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Bonds, payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined herein) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined herein) will be the responsibility of the DTC Participants, as more fully described hereinafter. The Bonds will pay interest on each February 1 and August 1, commencing on August 1, 2012, calculated on the basis of a 360 day year of twelve 30 day months. See **"THE BONDS"** and **"BOOK-ENTRY SYSTEM"** herein.

Bonds maturing on and after August 1, 2021 may be redeemed prior to maturity at the option of the City beginning on August 1, 2020, as described under **"THE BONDS — Redemption"** herein.

Tax Matters

In the opinion of Bond Counsel, subject to compliance by the City with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State. See **"TAX MATTERS"** herein.

Professionals Involved in the Offering

With respect to the Bonds, KNN Public Finance, A Division of Zions First National Bank, Oakland, California, is the City's financial advisor ("Financial Advisor"; see **"MISCELLANEOUS — Financial Advisor"** herein). On behalf of the City, Wells Fargo Bank, National Association, San Francisco, California, is the paying agent, registrar and transfer agent for the Bonds (the "Paying Agent"). The Financial Advisor, Bond Counsel and the Paying Agent will receive compensation from the City contingent upon the sale and delivery of the Bonds.

Offering and Delivery of the Bonds

The Bonds will be offered when, as and if issued by the City and received by the Underwriter, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through DTC, New York, New York, on or about May 15, 2012.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide notices of the occurrence of certain enumerated events, if material. See **"MISCELLANEOUS - Continuing Disclosure"** herein.

Copies of documents referred to and information concerning the Certificates are available at the offices of the City of Fremont, Finance Department, 3300 Capitol Avenue, Building B, Fremont, CA 94538; telephone: (510) 494-4601. The City may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

The Bonds are issued under the provisions of Articles 9 of Chapter 4 of Division 4 of Title 4, commencing with Section 43600, of the Government Code(the "Government Code"), other applicable law and the Resolution. The Bonds are authorized by the Resolution and issued pursuant to the Paying Agent Agreement. The Government Code, together with other applicable state law, permits the issuance of bonds payable from *ad valorem* taxes without a vote of the electors solely in order to refund other outstanding bonds which were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds does not exceed the total debt service to maturity on the bonds being refunded, and the final maturity date of the refunding bonds is not later than the final maturity date of the refunded bonds.

Bonds Issued

The City received authorization at an election held on November 5, 2002, by a vote in excess of two-thirds of the votes cast, to issue $51 million of general obligation bonds (the "Authorization"), all of which has since been issued. The Series A Bonds were issued in the amount of $10,000,000 on July 17, 2003, the City of Fremont General Obligation Bonds, Election of 2002, Series B (the "Series B Bonds") were issued in the amount of $25,000,000 on April 14, 2005 and the City of Fremont General Obligation Bonds, Election of 2002, Series C (the "Series C Bonds") were issued in the amount of $16,000,000 on February 11, 2009. All series were issued to fund fire station modernization and construction or other public safety projects. See **"THE BONDS — Debt Service"** herein.

Purpose of Issue

Proceeds of the Bonds will be used to fund redemption of the Refunded Bonds on May 15, 2012 (the "Redemption Date") at the redemption price of 101% of par, plus accrued interest, and pay costs of issuing the Bonds. The total redemption amount will be $8,196,702.61, comprised of $8,020,000 outstanding principal amount of the Refunded Bonds, a redemption premium of $80,200.00 and accrued interest from February 1, 2012 through the Redemption Date of $96,502.61. See also **"Estimated Sources and Uses of Funds."**

Pursuant to a redemption request made by the City, the Paying Agent has been instructed to give timely conditional notice of redemption (conditioned upon delivery of the Bonds), to the owners of the Refunded Bonds.

The Series A Bonds maturing on August 1, 2012 will be paid from tax revenues and not from proceeds of the Bonds.

Estimated Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied as follows.

CITY OF FREMONT
Estimated Sources and Uses of Funds

Sources of Funds	
Principal Amount of Bonds	
Net Original Issue Premium	
Less Underwriting Spread	
Total Sources	
Uses of Funds	
Deposit to Costs of Issuance Account [a]	
Redemption of the Refunded Bonds	
Total Uses	

[a] Includes fees for Financial Advisor, Bond Counsel, rating agency, printing and distribution of the Official Statement, Paying Agent, and certain miscellaneous costs of issuance.

Security and Sources of Payment

The City is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, as necessary for payment of interest on and principal of the Bonds, upon all property within the City (except certain personal property which is taxable at limited rates).

In California, taxing agencies within each county, including cities, use the services of that county for the assessment and collection of property taxes. City property taxes, including the *ad valorem* property tax for payment of the Bonds, are collected by the County at the same time and on the same rolls as County, special district, school district and all other *ad valorem* property taxes. For each tax year, the City calculates and levies the required property tax for payment of debt service on the Bonds based on the assessed value of taxable property in the City and the debt service requirement on the outstanding Bonds, and reports the necessary secured and unsecured tax rates for that tax year to the County. The County places those tax rates on the tax bill, and collects and remits the tax to the City. The City, through the Paying Agent, pays the debt service on the Bonds. Variation in the annual debt service requirement and changes in assessed valuation within the City may cause the annual tax rate for the Bonds to change from year to year. For further information regarding *ad valorem* property taxation in general and within the City in particular, see **"*AD VALOREM* PROPERTY TAXATION"** and **"CITY TAX BASE INFORMATION"** herein.

Form and Registration

The Bonds will be issued in fully registered book-entry form only, as current interest bonds without coupons, in denominations of $5,000 principal amount each or any integral multiple thereof. The Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Registered ownership of the Bonds may not be transferred except as described in **"BOOK ENTRY SYSTEM"** herein. Purchases of Bonds under the DTC system must be made by or through a DTC participant, and ownership interests in Bonds or any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Bonds, beneficial owners will not receive physical certificates representing their ownership interests. See **"BOOK-ENTRY SYSTEM"** herein.

Payment of Principal and Interest

The Bonds will be dated the date of their delivery, and bear interest at the rates set forth on the inside cover page hereof, on February 1 and August 1 of each year, commencing on August 1, 2012 (each, an "Interest Payment Date"), until payment of the principal amount thereof, computed using a year of 360 days consisting of twelve 30-day months. Bonds authenticated and registered on any date prior to the close of business on July 15, 2012, will bear interest from the date of their delivery. Bonds authenticated during the period between the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and the close of business on that Interest Payment Date will bear interest from that Interest Payment Date. Any other Bond will bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Payment of interest on any Bond on each Interest Payment Date (or on the following business day, if the Interest Payment Date does not fall on a business day) will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof as of the preceding Record Date, such interest to be paid by check or draft mailed to such owner at such owner's address as it appears on such registration books or at such other address as the owner may have filed with the Paying Agent for that purpose on or before the Record Date. The owner of an aggregate principal amount of $1,000,000 or more of Bonds may request in writing to the Paying Agent to be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the applicable Record Date. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer.

Principal will be payable at maturity, as shown on the cover hereof, or upon redemption prior to maturity, upon surrender of Bonds at the principal office of the Paying Agent or at such other location as the Paying Agent shall designate. The interest, principal and premiums, if any, on the Bonds will be payable in lawful money of the United States of America from moneys on deposit in the Interest and Sinking Fund, consisting of *ad valorem* taxes collected and held by the County Treasurer, together with any net premium and accrued interest received upon issuance of the Bonds. So long as all outstanding Bonds are held in book-entry form and registered in the name of a securities depository or its nominee, all payments of principal of, premium, if any, and interest on the Bonds and all notices with respect to such Bonds will be made and given, respectively, to such securities depository or its nominee and not to beneficial owners. So long as the Bonds are held by Cede & Co., as nominee of DTC, payment will be made by wire transfer.

See also **"BOOK-ENTRY SYSTEM"** herein.

Debt Service

Annual debt service obligations on the Bonds and all other general obligation bonds of the City, assuming no optional redemptions are made, are as follows:

CITY OF FREMONT
General Obligation Bond Debt Service

Fiscal Year Ending June 30,	Other General Obligation Bonds [a]	The Bonds Principal Amount	The Bonds Interest	The Bonds Total	Total Debt Service
2012	$3,294,002.50				
2013	2,968,720.00				
2014	2,720,200.63				
2015	2,744,316.26				
2016	2,749,766.26				
2017	2,756,772.51				
2018	2,761,948.76				
2019	2,757,153.76				
2020	2,746,733.76				
2021	2,743,700.63				
2022	2,735,917.50				
2023	2,732,912.50				
2024	2,721,787.50				
2025	2,715,337.50				
2026	2,703,212.50				
2027	2,697,587.50				
2028	2,688,212.50				
2029	2,679,962.50				
2030	2,672,587.50				
2031	2,665,837.50				
2032	2,659,462.50				
2033	2,653,212.50				
2034	2,646,837.50				
2035	2,644,962.50				
2036	1,028,587.50				
2037	1,028,896.88				
2038	1,031,234.38				
2039	1,035,881.25				
TOTAL	$69,985,745.08				

[a] Aggregate debt service of the Series A Bonds not refunded with proceeds of the Bonds, the Series B Bonds and the Series C Bonds.

Redemption

Optional Redemption

The Bonds maturing on or before August 1, 2020, are non-callable. The Bonds maturing on August 1, 2021, or any time thereafter, are callable for redemption prior to their stated maturity date at the option of the City, as a whole, or in part on or after August 1, 2020 (in such maturities as are designated by the City, or, if the City fails to designate such maturities, on a proportional basis), and may be redeemed prior to the maturity thereof by payment of all principal, plus accrued interest to date of redemption, plus the payment of a premium (expressed as a percentage of the principal amount), payable from any source lawfully available therefor, as follows:

Redemption Date	Redemption Price
August 1, 2020 through July 31, 2021	101%
August 1, 2021 and thereafter	100%

Notice of Redemption

The Paying Agent on behalf and at the expense of the City shall mail (by first class mail) notice of any redemption to: (I) the respective Owners of any Bonds designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Bond Register, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Paying Agent for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds of more than one maturity, the Bonds to be redeemed shall be selected by the City evidenced by a Written Request of the City filed with the Paying Agent or, absent such selection by the City, on a *pro rata* basis among the maturities subject to redemption; and in each case, the Paying Agent shall select the Bonds to be redeemed within any maturity by lot in any manner which the Paying Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

Partial Redemption of Bonds

In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the City shall execute and the Paying Agent shall authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Resolution other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed shall be canceled and shall be destroyed by the Paying Agent.

Discharge of Resolution

Bonds may be paid by the City in any of the following ways, provided that the City also pays or causes to be paid any other sums payable hereunder by the City:

(a) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable;

(b) by depositing, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem Bonds Outstanding; or

(c) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

If the City shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City (evidenced by a certificate of any City Representative, filed with the Paying Agent, signifying the intention of the City to discharge all such indebtedness and the Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, the Resolution and other assets made under the Resolution and all covenants, agreements and other obligations of the City under the Resolution shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon request of the City, the Paying Agent shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the City in respect of such Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Bond by the City, and the City shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment.

The City may at any time surrender to the Paying Agent for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Paying Agent

Whenever in the Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Resolution and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the City, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Paying Agent shall have been made for the giving of such notice; *provided that*, in each case, the Paying Agent shall have been irrevocably instructed (by the terms of the Resolution or by request of the City) to apply such money to the payment of such principal or redemption price and interest with respect to such Bonds.

Payment of Bonds After Discharge of Resolution

Notwithstanding any provisions of the Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed after the payment is due (whether at maturity or upon call for redemption as provided in the Resolution), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the City free from the trusts created by the Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the City as aforesaid, the Paying Agent may (at the cost of the City) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the Bond Register a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

BOOK-ENTRY SYSTEM

Book-Entry System

The information in this section concerning DTC and DTC's book-entry system has been furnished by DTC for use in disclosure documents, and the City takes no responsibility for the accuracy or completeness thereof. The City cannot and does not give any assurances that DTC will distribute to Direct Participants, or that Direct Participants or Indirect Participants will distribute to the Beneficial Owners, payments of principal of, interest, and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the City nor the Paying Agent are responsible or liable for the failure of DTC or any Direct or Indirect Participant to make any payments or give any notice to a Beneficial Owner or any error or delay relating thereto. Accordingly, no representations can be made concerning these matters and neither the Direct nor Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

DTC will act as securities depository for the Bonds. The Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be executed and delivered for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information set forth on such websites is not incorporated herein by reference thereto.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of a Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of redemption proceeds, principal of, and interest on, the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased, through its Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

Payment to Holders

The following provisions governing the payment, transfer and exchange of the Bonds apply to holders of the Bonds. As long as the DTC book-entry system described above is in effect, Cede & Co., or such other nominee of DTC, but not the Beneficial Owners, are holders of the Bonds. Only in the event that Bonds are printed and delivered to the Beneficial Owners do these provisions then apply directly to Beneficial Owners as holders of the Bonds.

Principal of the Bonds and any premium upon the redemption thereof prior to the maturity will be payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Paying Agent, or such other location as the Paying Agent may specify. Interest shall be paid by check to the owner of any Bond at the address of such owner shown on the registration books of the Paying Agent, or at such other address the owner of the Bond has filed with the Paying Agent for such purpose on or before the Record Date. Owners of not less than $1,000,000 in principal amount of Bonds may, by written request received by the Paying Agent not later than the Record Date immediately preceding any Interest Payment

Date, have interest payments made on the date due by wire transfer to an account maintained in the United States of America in immediately available funds.

Any Bond may be exchanged for Bonds of any authorized denominations of the same maturity and interest rate upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at the principal corporate trust office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the designated City official shall execute, and the Paying Agent shall authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the registered owner or by a person legally empowered to do so, equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

The Paying Agent will not be required to exchange or transfer any Bond during the period from the close of business on the applicable Record Date next preceding any Interest Payment Date or redemption date, to and including such Interest Payment Date or redemption date.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUE AND APPROPRIATIONS

Article XIIIA - Limit on Property Tax

Article XIIIA of the Constitution of the State limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” of the property as determined by the county assessor. Article XIIIA defines “full cash value” to mean “the county assessor's valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA requires a vote of two-thirds of those voting in an election in a city, county, special district or other public agency to impose special taxes. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, and (b) on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978. In addition, Article XIIIA requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues, and prohibits the State Legislature from imposing any new *ad valorem*, sales or transaction taxes on real property.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organization, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

All taxable property is shown at "full cash value" on the tax rolls. The tax rate is expressed as $1 per $100 of taxable value.

Litigation Involving Assessment Practices

Section 51 of the California Revenue and Taxation Code allows properties which have been reassessed to a lower value by the county assessor as a result of natural disasters, economic downturns or other factors, to be reassessed at a higher value later, up to the pre-decline value of the property, plus the aggregate of any annual increases, up to 2% annually, occurring for any years between reduction and such "recapture" of assessed value, according to the extent of restoration of value following repairs, economic upturn or other factors. Such recapture of assessed value, when it occurs, may represent more than a 2% increase in that year. In 2003, an Orange County Superior Court ruled that a reassessment to a lower value creates a new "base year value" under Article XIIIA and that subsequent increases in assessed value of property in excess of 2% in a single year violate Article XIIIA (see **"Article XIIIA - Limit on Property Tax"** above). Orange County submitted an appeal of the case to the State's Fourth District Court of Appeal. On March 26, 2004, this Appeals Court ruled that a new "base year value" was not created by a reduction in assessed value pursuant to Section 51 of the California Revenue and Taxation Code, effectively upholding Section 51 and the ability of county assessors to reassess upwards in excess of 2% in one year subsequent to such a reduction.

Article XIIIB - Appropriations Limit

Article XIIIB of the State Constitution, as amended by Propositions 98 and 111, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State, to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population, for transfers in the financial responsibility for providing services, and for certain declared emergencies.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each government entity shall be the appropriations limit for the 1986/87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service on indebtedness existing or legally authorized as of January 1, 1979 or bonded indebtedness thereafter approved according to law by vote of the electors voting in an election for such purpose, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes, and (g) appropriations derived from certain taxes on tobacco products.

The appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by a local agency over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Article XIIIB also requires that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

Article XIIIB permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City does not anticipate exceeding its appropriations limit. See **"THE CITY - Appropriations Limit"** herein.

Articles XIIIC and XIIID - Right to Vote on Taxes, Assessments, Fees and Charges

Articles XIIIC and XIIID of the State Constitution contain a number of provisions affecting the ability of local governments, including cities, counties, school districts and special districts with taxing power, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local government from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIID requires that, before any "fee or charge" (defined as "any levy other than an *ad valorem* tax, a special tax or an assessment imposed by a local government upon a parcel or upon a person merely as an incident of property ownership, including user fees or charges for a property related service") may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The local government must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the local government may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local government, two-thirds voter approval by the electorate residing in the affected area.

In addition to the above, Article XIIID includes additional substantive requirements governing all fees and charges, including existing fees and charges that are not proposed to increase. Such requirements include the following: (a) revenues derived from the fee or charge may not exceed the funds required to provide the service for which the fee or charge was imposed; (b) revenues derived from the fee or charge may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person may not exceed the proportional cost of the service attributable to the parcel; (d) no fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question; and (e) no fee or charge may be imposed for general governmental services where the service is available to the public at large in substantially the same manner as it is to property owners.

Under Article XIIIC, Section 3, the initiative power available under the State Constitution is expressly extended to matters of local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Articles XIIIC and XIIID, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees, and charges, subject to overriding federal constitutional principles relating to the impairment of contracts. However, on July 1, 1997, a bill was signed into law enacting Government Code Section 5854, which states:

Section 3 of Article XIIIC of the California Constitution, as adopted at the November 5, 1996 general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protection by Section 10 of Article I of the United States Constitution.

No court has yet considered the relationship between Government Code Section 5854 and Article XIIIC.

Based on its analysis, the City has concluded that its present revenue sources are either in compliance with or not impacted by Articles XIIIC and XIIID.

The foregoing discussion of Articles XIIIC and XIIID should not be considered an exhaustive or authoritative treatment of the issues. Certain provisions of Articles XIIIC and XIIID may be examined by the courts for their constitutionality under both State and federal constitutional law. The City is not able to predict the outcome of any such examination. The City does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard.

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIIIA and XIIIC of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIIIC of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (e) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (f) a charge imposed as a condition of property development; or (g) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting city revenues or ability to expend revenues.

GENERAL CITY FINANCIAL INFORMATION

County Services

In California, taxing agencies within each county, including cities, use the services of that county for the assessment of property values and collection of property taxes. All property taxes and assessments on property due all taxing agencies in each county generally are included on the same unified tax bill from the county to property owners twice each year, based on the same county administered tax rolls. Property tax revenue is apportioned by each county according to purpose and taxing agency as prescribed by State law to that county and all cities, school districts, special districts and other agencies within that county with property tax levies.

Assessed Valuation

All property is assessed using full cash value as defined by Article XIIIA of the California Constitution (the "Constitution"). State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, provided that the owner files for such exemption. This exemption does not result in any loss of tax revenue to local agencies, since the State reimburses local agencies for the value of taxes on exempted property. State law also provides exemptions from *ad valorem* property taxation for certain classes of property based on ownership or use, such as churches, colleges, non-profit hospitals and charitable institutions; the State does not reimburse local agencies for any tax not levied due to these exemptions. State and federal government property also is not taxed.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and other property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all other taxable property. Unsecured property is assessed on the "unsecured roll." Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer. Valuation of secured property and a statutory tax lien is established as of January 1 prior to the tax year (the tax year is the July 1 - June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified as of July 1 of the tax year by the County Assessor. New property and improvements are assessed and added to "supplemental" rolls during the year acquired or improvements are completed, and taxed at the secured or unsecured rate then in effect, as the case may be, for the remaining portion of that year. The next year and thereafter such assets are assessed on the regular tax rolls.

Future growth in assessed valuation allowed under Article XIIIA is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

See **"THE CITY"** herein for a history of assessed valuation and a list of the largest secured tax payers for the current tax year within the City.

State-Assessed Utility Property

The Constitution provides that the State Board of Equalization (the "SBE") rather than counties assess certain property owned or used by regulated utilities. Such property is grouped and assessed by the SBE as "going concern" operating units, which may cross local tax jurisdiction boundaries, rather than as individual parcels of real or personal property separately assessed. Such utility property is known as "unitary property." The SBE assesses property at "fair market value," determined by various methods and formulae depending on the nature of the property, except that certain railroad property is assessed at a specified percentage of the fair market value determined by the SBE, in conformity with federal law. The SBE assesses values as of January 1 prior to the tax year of the related tax levy. Property tax on SBE-assessed property is then levied and collected by each county in the same manner as county assessed property, but at special county-wide tax rates, and distributed to each taxing agency within that county, subject to certain adjustments, according to the approximate percentage allocated to each taxing agency in the prior year.

Recent changes in the California electric utility industry structure and in the way in which components of that industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, have caused some property that had been assessed by the SBE to be assessed locally instead. A change in property status from assessment by the SBE to assessment locally or the reverse may result in a change in property tax revenue received by local agencies and an adjustment in any *ad valorem* tax rates and debt capacity for local agency bonds.

Tax Levies, Collections and Delinquencies

Property tax rates are set by the first business day of September of the tax year of the related tax levy. The secured property tax is payable in two equal installments due November 1 and February 1, and payments become delinquent if not postmarked or paid by end of business day on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold interests) are levied at the preceding fiscal year's secured tax rate and have a due date set by each county effective no earlier than July 1 and no later than July 31 of each year. Taxes on unsecured property become delinquent if not postmarked or paid by end of business day on August 31, or if added to the unsecured roll after July 31, become delinquent at the end of the month succeeding the month of enrollment.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax-Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and after the last day of the second month after the 10% penalty attaches, an additional penalty of 1.5% per month begins to accrue, and a lien is recorded against the assessee. The taxing authority may collect delinquent unsecured personal property taxes by: (a) a civil action against the taxpayer; (b) filing a certificate of delinquency in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; and (c) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental roll taxes are due on the date mailed. If the tax bill is mailed within the months of July through October, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on December 10 of the same year and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on April 10 of the next year; if the bill is mailed within the months of November through June, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the month following the month in which the bill is mailed and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the fourth calendar month following the date the first installment is delinquent. A 10% penalty attaches to any delinquent payment for supplemental roll taxes.

All tax due dates and delinquency dates become the next business day if they fall on a day that is not a business day.

Teeter Plan

The Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") has been adopted by 53 of the 58 counties, including Alameda County, as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in a county receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. However, although a local agency receives the total levy for its property taxes without regard to actual collections, to the extent of a reserve established and held by its county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency. The Teeter Plan is to remain in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the county, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. The board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in its county. See **"THE CITY — Tax Levies, Collections and Delinquencies"** herein.

The City has elected not to participate in the County Teeter Plan. That means that the City suffers any delinquencies but gains all penalty and interest amounts when such delinquencies are collected.

Other Taxes

Cities in California are authorized to levy and collect other taxes for deposit in the general fund in addition to property taxes. Among these other taxes are: Sales and Use Tax, Construction Tax, Business License Tax, Transient Occupancy Tax, Real Property Transfer Tax, and other miscellaneous taxes. For the City, the most significant of these taxes are the following:

Sales and Use Tax. The sales tax is imposed on retail sales of tangible personal property. A similar use tax is imposed on purchases out-of-state and delivered for use in California. Since the passage of the Bradley-Burns Act in 1955, the State has collected, along with its own sales taxes, a uniform 1% sales and use tax for allocation to cities and counties based on a point-of-sale formula. The passage of Proposition 172 in 1993 permanently extended an additional 0.5% sales tax dedicated to local public safety. As of July 1, 2004, 0.25% from the 1% Bradley-Burns tax rate has been diverted to the State for payment of the State's Economic Recovery Bonds for as long as these Bonds remain outstanding (see **"Triple Flip"** below), resulting in a combined sales and use tax rate of 1.25% allocated to cities and counties. Sales and use tax receipts to the City are deposited in the City's general fund.

Business License Tax. The Business License Tax is a type of excise tax imposed on businesses for the privilege of conducting business within the City. Major businesses exempted from the tax are banks and insurance companies. In the majority of cases the City's tax is based on gross receipts.

Transient Occupancy Tax. Sometimes referred to as a hotel tax, this tax is imposed on occupants for the privilege of occupying rooms in hotels, motels, inns and other taxed properties.

Franchises

Several State statutes provide cities with the authority to impose fees on privately-owned utility companies and other businesses for the privilege of using city right-of-way. The City collects franchise fees from gas and electric utilities, cable television and garbage franchises.

Motor Vehicle License Fee

The Motor Vehicle License Fee ("VLF") is a tax in lieu of any ad valorem property tax on vehicles and is administered by the State Department of Motor Vehicles. Revenues generated by the VLF are constitutionally required to be apportioned to local governments (Article XI, Section 15 (a)) for use for their general fund purposes. These revenues are statutorily split between counties and cities. Rather than assessing the value of each individual vehicle and imposing a 1% property tax, as is done with real property, the State uniformly applies a 0.65% tax on each vehicle based on its purchase price adjusted by a depreciation schedule. Prior to 2004/05, this VLF rate was 2%, and any difference between 2% and any lower rate actually levied on vehicles was made up to cities and counties from State general funds. With the change in rate to 0.65% in fiscal year 2004/05, the State ended such "VLF backfill" to cities and counties and replaced it with a like amount of property taxes. Subsequent to the fiscal year 2004/05 base year, each city's property tax in lieu of VLF increases annually in proportion to the growth in gross assessed valuation in that jurisdiction, without reference to VLF. The League of California Cities on September 4, 2011 filed a lawsuit scheduled to be heard in Sacramento Superior Court on May 4, 2012 challenging the diversion of VLF from local governments; the outcome of this litigation is unknown.

Propositions 57 and 58 - California Economic Recovery Bond Act and State Budget Requirements

On March 2, 2004, State voters passed Proposition 57, the California Economic Recovery Bond Act, authorizing the issuance by the State of up to $15 billion of Economic Recovery Bonds to finance the State's negative general fund balance as of June 30, 2004 and other general fund obligations undertaken prior to June 30, 2004. The State has issued the full $15 billion Economic Recovery Bonds under this authorization. In the same election State voters passed Proposition 58, the Balanced Budget Amendment, requiring the State to adopt and maintain a balanced budget, establish a reserve and restrict future long-term deficit-related borrowing.

Triple Flip

As part of the State's budget efforts and pledge of revenues from a 0.25% sales and use tax for payment of its Economic Recovery Bonds, the State adopted a complex set of revenue allocations and offsets known as the "triple flip." To offset the reduction in revenue to local agencies from allocating 0.25% from the 1% Bradley-Burns sales and use tax rate for local agencies to payment of the Economic Recovery Bonds, the State in return diverted a portion of the property tax revenue previously allocated to the Education Revenue Augmentation Fund in each county ("ERAF"; ERAF monies are allocated to the funding of school districts) to each such local agency in the same dollar amount lost, minus the amount that the State determined such local agencies were to contribute to relieving the State's budget. The State determined that for two years only, 2004/05 and 2005/06, cities, counties and special districts other than school districts in aggregate would contribute $350 million each year, and redevelopment agencies in aggregate would contribute $250 million each year, in property tax revenue, for a total relief to the State of $1.3 billion for the two years. The reduction in ERAF funding of school districts, to the extent necessary to meet State revenue limit funding requirements for school districts, was offset by the State dollar for dollar by increasing apportionments to school districts from State general funds.

Proposition 1A - Limit On ERAF Shifts To School Districts

At the November 2004 election, State voters approved Proposition 1A, limiting the amount and frequency of such ERAF shifts of property tax revenue from other taxing agencies to school districts.

Under Proposition 1A, beginning in fiscal year 2008/09, the State may divert no more than eight percent of local property tax revenues for State purposes (including, but not limited to, funding K-12 education) only if: (a) the Governor declares such action to be necessary due to a State fiscal emergency; (b) two-thirds of both houses of the Legislature approve the action; (c) the amount diverted is required by statute to be repaid within three years; (d) the State does not owe to local agencies any repayment for past property tax or Vehicle License Fee diversions; and (e) such property tax diversions do not occur in more than two of any ten consecutive fiscal years. Because ERAF shifts are capped and limited in frequency, the State has to rely more heavily on State general fund moneys for Proposition 98 funding of school districts.

ERAF and SERAF Payments

As a part of its Revised 2009/10 Budget legislation, the State enacted ABX4 - 26, which shifted $1.7 billion in 2009/10 and $350 million in 2010/11 out of city and county redevelopment agencies into "Supplemental Education Revenue Augmentation Funds" ("SERAF") in each county for payment only to school districts and county offices of education wholly or partially within redevelopment agency project areas and used only to serve students living within project areas or in housing supported by redevelopment funds. SERAF are deemed by the State to be property tax revenue of the receiving school district or county office of education that reduces dollar for dollar the State's requirement to fund any shortfall there may be between the recipient district's or county office's own property tax revenue and its revenue limit funding entitlement under Proposition 98; it alters only the mix, not the total amount of revenue limit funding received by a school district. The California Redevelopment Association, an association of California redevelopment agencies, and others, filed a law suit aimed at overturning ABX4 - 26 as a violation of the State constitutional requirement that redevelopment agency tax increment be used for redevelopment purposes. On May 4, 2010, the Sacramento Superior Court found in favor of the State and other defendants, upholding the provisions of ABX4 - 26.

ERAF and SERAF payments by redevelopment agencies were and are subordinate to pledges of tax increment revenue for payment of their tax allocation bonds, though penalties were imposed on redevelopment agencies and, under certain circumstances, on their related city or county for non-payment. With the disestablishment of redevelopment agencies as of February 1, 2012, SERAF ends. ERAF, however, continues, with payments made through the respective counties and successor agencies (see **"THE CITY - Redevelopment Agency of the City of Fremont"**.)

Proposition 22 - Further Limit on State Use and Shifts of Local Government Funds

Proposition 22, *The Local Taxpayer, Public Safety, and Transportation Protection Act*, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (a) to use State fuel tax revenues to pay debt service on state transportation bonds; (b) to borrow or change the distribution of state fuel tax revenues; (c) to direct redevelopment agency property taxes to any other local government; (d) to temporarily shift property taxes from cities, counties, and special districts to schools; (e) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the State Legislative Analyst's Office ("LAO"; the LAO is a fiscal and policy advisory organization overseen by the Joint Legislative Budget Committee of the State legislature, funded by the State legislature) on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately $1 billion in fiscal year 2010/11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

State Budget

The State budget approval process begins with the release to the State legislature by January 10 of the Governor's proposed budget for the following fiscal year. State fiscal years begin July 1. In May, the Governor submits a revision of the proposed budget that reflects updated estimates of revenues and expenditures. After a series of public hearings and other steps in the legislative process, the budget must be approved by two-thirds vote in each house of the State legislature and submitted to the Governor. The Governor may reduce or eliminate any appropriation through the line-item veto. Although the budget is required by the Constitution to be approved no later than June 15, it often has not been approved until later.

2011/12 Budget

On January 10, 2011, the Governor published his proposed budget for 2011/12, on May 10, 2011 released his *2011-12 Governor's Budget May Revision* (the "May Revision") and on June 29, 2011 signed into law the *Budget Act of 2011*; together, the "2011/12 Budget"). The 2011/12 Budget addressed an otherwise projected $26.6 billion budget gap by the end of 2011/12 with a program of $15.0 billion in expenditure reductions, projected revenue increases from an improved economy of $8.3 billion and tax and other revenue producing measures of $3.8 billion, raising $27.2 billion and leaving the State with a reserve of $543 million. The *Budget Act of 2011* provided that as of December 15, 2011, should the State Director of Finance determine that projected revenue would fall short of 2011/12 Budget estimates by more than $1 billion, an additional $601 million in "Tier 1" cuts would go into effect beginning January 1, 2012; if such shortfall were more than $2 billion, up to an additional $1.860 billion in "Tier 2" cuts would go into effect as of February 1, 2012. The State Director of Finance on December 13, 2011 announced that the relevant shortfall was $2.2 billion and instituted the Tier 1and a portion of the possible Tier 2 cuts in the aggregate combined amount of $980 million. The Tier 1 cuts affect a variety of State agencies, programs and services, and Tier 2 cuts are entirely Proposition 98 funding cuts for schools. Cities for the most part are not significantly or at all affected by the Tier 1 or Tier 2 cuts.

However, included as a trailer bill to the *Budget Act of 2011* was an act (Stats. 2011, 1st Ex. Sess. 2011-12, Ch 5, as upheld and modified by the State Supreme Court in *California Redevelopment Association et al v. Ana Matosantos, as Director, etc. et al* on December 29, 2011) disestablishing all city and county redevelopment agencies as of February 1, 2012. What was redevelopment agency tax revenue not required for pass-through agreement payments, tax allocation bond payments and other "enforceable obligation" payments that continue until their natural termination dates, will flow through to local taxing agencies, including cities, as normal property tax revenue. The 2011/12 Budget assumed that the State general fund would be relieved of aggregate funding requirements of $1.7 billion in 2011/12 and at least $400 million annually thereafter as a result of disestablishing redevelopment agencies.

For the State's general fund, the 2011/12 Budget reported for 2010/11 prior year resources available of ($4,507) billion and projected revenues and transfers-in of $94.781 billion, for a total of $90.274 billion in total resources available; and for 2011/12 projected prior year resources available of ($1.206) billion and revenues and transfers-in of $88.456 billion, for a total of $87.250 billion in total resources available. General fund expenditures are projected to be $91.480 billion for 2010/11 and $85.937 billion for 2011/12, with general fund ending balances of ($1,206) billion and $1.313 billion, respectively.

In his *March 2012 Summary Analysis*, the State Controller reported that the State's general fund negative cash balance, which was at ($8.2 billion) at the beginning of 2011/12, had increased to ($21.6 billion) as of February 28, 2012.

2012/13 Budget

On January 5, 2012, the Governor published his proposed budget for 2012/13 (the "2012/13 Budget"). The 2012/13 Budget addresses an otherwise projected $9.2 billion budget gap by the end of 2012/13 with a program of $10.3 billion in expenditure reductions and revenue increases, with a $1.1 billion reserve established by June 30, 2013. The 2012/13 Budget cuts a variety of State agencies, programs and services (for some, in an aggregate amount of $4.22 billion, assumes an additional $4.65 billion in revenue increases and assumes another $1.43 billion in other adjustments. Of the $4.65 billion increase in revenue, $4.40 billion is assumed from new tax measures that require voter approval by State-wide ballot, planned for the November 6, 2012 election. It the tax measures do not pass, $5.39 billion of further expenditure reductions will go into effect January 1, 2013, the largest portion of which, $4.84 billion, will be Proposition 98 funding for schools.

For the State's general fund, the 2012/13 Budget reported for 2011/12 prior year resources available of ($3.079) billion and projects revenues and transfers-in of $88.606 billion, for a total of $85.527 billion in total resources available; and for 2012/13 projects prior year resources available of ($0.985) billion and revenues and transfers-in of $95.389 billion, for a total of $94.404 billion in total resources available. General fund expenditures are projected to be $86.512 billion for 2011/12 and $92.553 billion for 2012/13, with general fund ending balances of ($0.985) billion and $1.851 billion, respectively.

While State budgets do not focus on city finances, the State has often made changes over the years in its efforts to balance its budgets that affect the allocation of property taxes and sales tax and other matters in ways that noticeably affect the revenues, expenditures and economic growth of cities, as evidenced by the disestablishment of redevelopment agencies. Other, past examples are the "Triple Flip" (see **"Triple Flip"** previously) and the ERAF and SERAF shifts (see "**Proposition 1A - Limit On ERAF Shifts To School Districts; ERAF and SERAF Payments"** previously). It cannot be predicted what actions will be taken in the future by the State to respond to its own requirements and changes in economic conditions, or what the effects on the City may be.

THE CITY

Introduction

The City is a general law city which was incorporated in 1956. It comprises approximately 90 square miles located on the east side of the San Francisco Bay in southwestern Alameda County (the "County"), approximately 40 miles southeast of the City of San Francisco and 15 miles north of the City of San Jose, and borders Santa Clara County to the south.

The City operates under a council-manager form of government, whereby policies of the City Council are administered by a City Manager, who is appointed by the Council.

The City is largely a suburban area which has experienced substantial growth during recent decades. Much of the growth has been fueled by the demand for housing due to the economic growth of both the City and the San Francisco Bay area. Many of the residents commute north into San Francisco and Oakland to work, or to the San Jose area to the south. There has been increased industrial and commercial development in the City in recent years. The City has become home to a part of the high concentration of high technology and computer firms centered around San Jose known as "Silicon Valley." The City has room and infrastructure for further industrial and commercial development.

The City is served by a major transportation network, including two interstate freeways (Interstates 680 and 880) which border its industrial zones. The major passenger rail system is the Bay Area Rapid Transit (BART) system, a high speed light rail system that serves San Francisco and parts of Alameda and Contra Costa Counties. In October 1998, service began on the Altamont Commuter Express (ACE), a Stockton-to-San Jose commuter train with several East Bay stops, including the Centerville Amtrak Station in Fremont. Airports which serve the Fremont area include Oakland, San Jose and San Francisco International Airports, along with several smaller airports in Alameda County. The area is also served by a number of local bus lines, truck carriers, major railroads and deep water ports in Oakland and San Francisco.

Labor Relations

There are approximately 849 full and part-time employees of the City, represented by formal labor organizations as shown in the table below.

CITY OF FREMONT
Labor Relations

Employee Organization	Number of Employees	Contract Expiration Date
Battalion Chiefs	6	June 30, 2013
Fremont Association of Management Employees	89	June 30, 2013
Fremont Association of City Employees, S.E.I.U. Local 1021	231	June 30, 2013
Professional Engineers & Technicians Association	25	June 30, 2013
Operating Engineers Local 3	106	June 30, 2013
International Association of Firefighters Local 1689	126	June 30, 2013
Fremont Police Association	174	June 30, 2013
Fremont Police Management Association	10	June 30, 2013
Teamsters	58	June 30, 2013
Not represented	24	
	849	

Source: City of Fremont.

Retirement Programs

All permanent employees of the City are covered under the California Public Employees Retirement System ("CalPERS"), a defined benefit plan. Pension costs are funded by biweekly contributions from the City and covered employees. Contributions by the City during 2010/11 were $18,770,000 and in 2011/12 are estimated to be $20,477,000. See **"Basic Financial Statements, Note 9"** in **"APPENDIX A"** for further discussion of the City's basic retirement programs.

On March 14, 2012, CalPERS reduced its assumed long-term average investment portfolio return from 7.75% to 7.50%. The new assumption will be incorporated in determining contribution rates beginning with fiscal year 2013/14.

Other Post Employment Benefits

In addition to providing retirement benefits through CalPERS, the City provides post-employment health care benefits, in accordance with bargaining unit agreements, to qualified retired employees. Retirees must make an election within 90 days following the date of separation from City employment to be eligible for the benefits. At June 30, 2011, 520 employees were eligible to receive these benefits, which amounts to City reimbursement of all or part of the retirees' medical insurance premium payments. The reimbursement amount, which is subject to continuing negotiation and varies according to bargaining unit, is paid monthly to the retiree upon the retiree's proof of coverage and attestation to premium payment. The benefit generally ceases upon the death of the retiree. Expenditures for post-retirement benefits are recognized on a pay-as-you-go basis. Total expenditures for premium reimbursement in the year ended June 30, 2011 were $2,145,000, and are expected to be $2,363,000 for the year ending June 30, 2012.

While the City's audited financial statements are required under GASB 45 to calculate actuarial accrued liability and certain other related data for post-employment benefits as a matter of financial reporting, there is no requirement that the City change actual funding from its present pay-as-you-go basis to an annual required contribution basis. Retiree medical is the only post employment benefit offered to the City's employees which is subject to the accounting and reporting requirements of GASB 45.

See **"Basic Financial Statements, Note 10"** in **"APPENDIX A"** for further discussion of the City's "other post employment benefits."

Appropriations Limit

The following table shows the City of Fremont's appropriation limit and estimated appropriations subject to limitation for the fiscal years 2010/11 and 2011/12.

CITY OF FREMONT
Appropriations Limit and
Appropriations Subject to Limitation

	2010/11	2011/12
Appropriations Limit	$491,511,372	$508,665,119
Appropriations Subject to Limitation	134,578,000	134,095,000

Source: City of Fremont.

Assessed Valuation

The following table represents a five-year history of gross assessed valuation in the City:

CITY OF FREMONT
Assessed Valuations

Year	Local Secured	Utility	Unsecured	Total
2007/08	$30,480,386,621	$3,270,756	$2,063,840,824	$32,547,498,201
2008/09	32,035,924,832	3,090,156	2,185,774,484	34,224,789,472
2009/10	31,663,621,592	3,090,156	2,445,549,431	34,112,261,179
2010/11	31,543,695,892	3,092,656	2,529,182,983	34,075,971,531
2011/12	31,141,854,443	3,092,656	2,415,265,290	33,560,212,389

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

The secured tax charges and year-end delinquencies for five years are reflected on the following table:

CITY OF FREMONT
Secured Tax Charge and Delinquencies

Year	Secured Tax Charge[a]	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2005/06	$34,268,016	$ 855,016	2.50%
2006/07	37,204,207	1,467,408	3.94
2007/08	39,660,230	2,069,318	5.22
2008/09	41,543,958	2,132,113	5.13
2010/11	41,082,790	1,453,842	3.54
2011/12	41,185,964	1,109,710	2.69

[a] City General Fund apportionment of the 1% County-wide tax collected by the County within the City .

Source: California Municipal Statistics, Inc.

Tax Rates

The following table lists typical property tax rates for all overlapping governments in the City (rates are for Tax Rate Area 12-013, representing 19.50% of the City's total assessed valuation in 2010/11) for five years:

CITY OF FREMONT
TRA 12-013 Property Tax Rates

Year	City	County-wide	School Districts	Special Districts	Total
2006/07	0.00440%	1.0000%	0.0520%	0.0246%	1.0810%
2007/08	0.00420	1.0000	0.0610	0.0402	1.1054
2008/09	0.00790	1.0000	0.0594	0.0453	1.1126
2009/10	0.01070	1.0000	0.0622	0.0293	1.1022
2010/11	0.00950	1.0000	0.0540	0.0374	1.1009
2011/12	0.00980	1.0000	0.0444	0.0775	1.1317

Source: Alameda County Auditor-Controller's Office.

Largest Taxpayers

The twenty largest secured taxpayers in the City as shown on the 2011/12 tax roll and their assessed valuations within the City are shown below.

CITY OF FREMONT
Twenty Largest Secured Property Taxpayers

Property Owner	Land Use	2011/12 Assessed Valuation	Percent of Total[(a)]
John T. Arrillaga and Richard T. Peery, Trust	Industrial	$245,611,016	0.79%
Pacific Commons Retail LLC	Shopping Center	237,973,497	0.76
Transcontinental Northern California	Industrial	200,310,412	0.64
Catellus Development Corporation	Industrial	191,740,475	0.62
SI 30 LLC	Industrial	166,470,831	0.53
SCI LP I	Industrial	150,293,130	0.48
Solyndra Fab 2 LLC	Industrial	112,321,748	0.36
Fremont Retail Partners LP	Shopping Center	107,473,000	0.35
EQR Fanwell 2007 LP	Apartments	83,694,371	0.27
SSR Western Multifamily LLC	Apartments	83,593,439	0.27
Tesla Motors Inc.	Industrial	79,811,321	0.26
BNP Paribas Leasing Corporation	Industrial	74,665,727	0.24
BRE Properties Inc.	Apartments	74,518,377	0.24
BREFMCF LLC	Apartments	74,233,298	0.24
Inland American Stephens	Industrial	74,054,668	0.24
Presidio LLC	Apartments	73,773,696	0.24
ASN Fremont LLC	Apartments	72,916,360	0.23
MV EPT Apartments LLC	Apartments	65,577,405	0.21
34551 Ardenwood LLC	Industrial	63,264,313	0.20
Wells Fargo Bank	Office Building	63,086,271	0.20
		$2,295,383,355	7.37%

[(a)] 2011/12 Local Secured Assessed Valuation: $31,141,854,443.

Source: California Municipal Statistics, Inc.

Redevelopment Agency of the City of Fremont

Pursuant to Stats. 2011, 1st Ex. Sess. 2011-12, Ch 5, as upheld and modified by the State Supreme Court in *California Redevelopment Association et al v. Ana Matosantos, as Director, etc. et al* on December 29, 2011, all California redevelopment agencies, including the Redevelopment Agency of the City of Fremont (the "Agency"), were dissolved as of February 1, 2012, and succeeded by "successor agencies" with no ability to engage in non-housing redevelopment activities other than to administer payment of debt service on preexisting tax allocation bonds and certain other qualified "enforceable obligations" of the dissolved redevelopment agency that will continue until their natural termination dates, and carry to conclusion certain qualified redevelopment projects already under way. Housing activities in general may be continued by a successor agency, but without any tax increment revenue. The Agency had no outstanding tax allocation bonds, non-housing or housing. The City is the successor agency in respect to both non-housing and housing matters. By law, a city or county has no financial obligation on its own funds to make payments administered in its role of "successor agency" by virtue of being the successor agency; enforceable obligation payments are payable solely from funds sourced by the county from what was tax increment revenue, and/or, if present and applicable, lease or other receipts from redevelopment activities due the successor agency.

Budget Process

The fiscal year of the City begins on the first day of July and ends on the thirtieth day of June of the following year. Normally, the City Manager submits to the City Council the proposed budget prior to the beginning of each fiscal year. After reviewing and making such revisions as it deems advisable, the Council determines the time for the holding of a public hearing thereon and causes a notice to be published. Copies of the proposed budget are available for inspection by the public in the office of the City Clerk prior to the hearing. At the conclusion of the public hearing, the City Council further considers the proposed budget and makes any revision thereof that it deems advisable. On or before June 30, it adopts the budget with revisions, if any, by the affirmative vote of at least a majority of the total members of the Council. For 2011/12, the budget was adopted on June 14, 2011.

From the effective date of the budget, the amounts stated as recommended expenditures become appropriated to the various departments and programs. The City Manager may transfer appropriations between departments or programs within any fund. Any revisions or transfers that alter the total appropriations of any fund must be approved by the City Council. General fund and certain special revenue funds appropriations lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered. At a public meeting after the adoption of the budget, the Council may amend or supplement the budget by motion adopted by the affirmative vote of at least three members of the five-member Council.

In 2002/03, a new $6.2 million “Budget Uncertainty Reserve” was designated within the City’s General Fund. In the 2003/04 budget this reserve was made permanent, and its scope increased to cover risks associated with short-term revenue shortfalls, State budget reductions and unavoidable cost increases. As of June 30, 2011, the balance of this reserve was $7,421,461. The City has budgeted $2,800,000 of this amount towards the 2011/12 budget, but expects to build up this reserve in 2012/13 and thereafter.

Comparative Statements of Revenues, Expenditures and Fund Balance

The table on the next page reflects the City’s general fund revenues, expenditures and fund balances for fiscal years 2007/08 through 2011/12. For 2008/09, the City changed its accounting in respect to maintenance. Instead of general fund money being transferred out to another fund and then spent on maintenance, maintenance expenditures are made directly from the general fund. In 2010/11, the City changed its accounting in respect to human services. Instead of making human services expenditures directly from the general fund, general fund money is transferred out to another fund and then spent on human services.

There is no assumption in the 2011/12 budget of a City share of property tax receipts flowing from what was tax increment revenue, resulting from the dissolution of the Agency on February 1, 2012 (see **“__ Redevelopment Agency of the City of Fremont”**, previously), since the amount and timing of such receipts that will be attributable to fiscal year 2011/12 post February 1 is not known. From 2012/13 on, the City does expect such receipts; the City’s present estimate for 2012/13 is approximately $3 million, with an increase to approximately $5 million annually once all enforceable obligations have been paid off through the County and the City as successor agency, which the City hopes to accomplish by December 31, 2012. However, successor agency actions are subject to review first by an oversight board and second, if they choose to review, by the State Department of Finance, each of which has unilateral power to change that could cause a different schedule to result.

CITY OF FREMONT
General Fund
Revenues, Expenditures and Fund Balance
2007/08 through 20011/12

	2007/08[a]	2008/09[a]	2009/10[a]	2010/11[a]	Budget 2011/12[b]
REVENUES:					
Property Tax	$59,761,853	$62,833,077	$61,940,809	$61,738,762	$61,815,000
Sales Tax	35,583,842	31,631,408	26,769,511	30,089,204	32,198,000
Vehicle License Fees	938,566	727,164	634,305	991,459	558,000
Intergovernmental	330,656	270,087	169,122	142,362	144,000
Business Tax	7,508,481	7,009,869	7,106,402	6,820,327	6,922,000
Other Taxes	4,273,581	3,704,507	3,842,969	4,507,162	4,931,000
Franchises	7,953,642	8,328,847	7,928,716	8,215,061	8,552,000
Charges for Services	9,269,315	10,230,681	8,703,893	8,266,409	8,482,000
Investment Earnings	3,101,542	2,728,483	1,748,364	699,534	738,000
Other	230,200	26,931	984,149	1,117,956	1,344,000
TOTAL REVENUE	128,951,678	127,491,054	119,828,240	122,588,236	125,684,000
EXPENDITURES:					
Current:					
General Government	12,628,762	11,711,458	11,126,970	11,626,724	10,660,000
Police Services	51,898,838	53,781,714	52,300,564	52,488,719	53,866,000
Fire Services	29,845,855	31,984,240	30,848,121	31,415,705	31,949,000
Human Services [c]	3,573,227	3,620,156	3,415,273		
Maintenance [d]	0	19,461,844	17,528,049	18,294,596	19,549,000
Community Development and Environmental Services	714,477	694,698	918,248	655,745	772,000
Capital Outlay	278,102	772,930	78,422	382,790	322,000
Non-departmental Budget Expense [e]					1,528,000
Debt Service - Interest and Fiscal Charges	442,218	1,265,989	1,184,016	1,181,929	1,021,000
TOTAL EXPENDITURES	99,381,479	123,293,029	117,399,663	116,046,208	119,667,000
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	7,238,200	6,760,897	7,951,346	8,569,550	5,603,000
Operating Transfers Out	(42,420,986)	(16,380,676)	(12,578,614)	(15,950,636)	(14,431,000)
TOTAL OTHER FINANCING SOURCES (USES)	(35,182,786)	(9,619,779)	(4,627,268)	(7,381,086)	(8,828,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(5,612,587)	(5,421,754)	(2,198,691)	(839,058)	(2,811,000)
FUND BALANCE, JULY 1	42,133,694	36,521,107	31,099,353	28,900,662	28,061,604
FUND BALANCE, JUNE 30	$36,521,107	$31,099,353	$28,900,662	$28,061,604	$25,250,604
FUND BALANCE COMPOSITION AS OF JUNE 30:					
Reserve for Budget Uncertainty	$11,176,000	$7,689,459	$8,489,875	$7,421,461	$4,610,000
Reserve for Program Investment	3,560,235	3,660,235	3,660,235	3,660,235	3,660,000
Reserve for Contingencies	17,801,175	18,302,175	14,641,940	14,641,940	14,642,000
Other Balance	3,983,697	1,447,484	2,108,612	2,337,968	2,338,604
FUND BALANCE, JUNE 30	$36,521,107	$31,099,353	$28,900,662	$28,061,604	$25,250,604

[a] City's Audited Financial Statements.
[b] From Adopted 2011/12 Budget, adjusted to reflect audited June 30, 2011 fund balances and revised estimates as of February 27, 2012.
[c] Equivalent non-general fund human services expenditures in 2010/11 are $3,459,000 and estimated for 2011/12 at $3,899,000.
[d] Equivalent non-general fund maintenance expenditures in 2007/08 were $22,558,821.
[e] At year end, this budget only amount is reconciled and allocated among departmental totals.

Source: City of Fremont

Financial and Accounting Information

The City uses funds and account groups to report on its financial position and the results of its operations. The City's outside auditors are Caporicci & Larson, Inc., A Subsidiary of Markum LLP. Recent audited financial statements of the City are posted on the City's website (www.fremont.gov) or may be obtained at the offices of the Finance Department, City of Fremont, 3300 Capitol Avenue, Building B, California 94538, telephone: (510) 494-4601. The City may impose a charge for copying, mailing and handling.

Short Term Obligations

The City has no short-term obligations outstanding.

Long Term Obligations

General Obligation Bonds

The City received authorization at an election held on November 5, 2002, by a vote in excess of two-thirds of the votes cast, to issue $51 million of general obligation bonds for fire and safety projects. The bonds were issued in three series. As of March 31, 2011, $46,095,000 in City general obligation bonds are outstanding. Principal payments are August 1, and interest payments are February 1 and August 1. Debt service on general obligation bonds is paid from a dedicated unlimited *ad valorem* tax levy on taxable property within the City, calculated by the City and collected for the City by the County on the regular County property tax bill.

CITY OF FREMONT
General Obligation Bonds
As of June 30, 2011 and March 31, 2012

Issue	Amounts Outstanding June 30, 2011	Amounts Outstanding March 31, 2012
General Obligation Bonds, Election of 2002, Series A	$8,530,000	$8,280,000
General Obligation Bonds, Election of 2002, Series B (Fire Safety Project)	23,950,000	23,380,000
General Obligation Bonds, Election of 2002, Series C (2009) (Fire Safety Project)	15,725,000	14,435,000
Total	$48,205,000	$46,095,000

Source: City of Fremont.

The future fiscal year annual general obligation bond debt service payments, from June 30, 2011, are estimated as follows:

CITY OF FREMONT
General Obligation Bonds
Fiscal Year Debt Service Payments From June 30, 2011

Fiscal Year	Principal	Interest	Debt Service
2011/12	$1,110,000	$2,184,003	$3,294,003
2012/13	1,165,000	2,137,768	3,302,768
2013/14	1,225,000	2,094,793	3,319,793
2014/15	1,290,000	2,054,694	3,344,694
2015/16	1,340,000	2,010,164	3,350,164
2016/17-2020/21	7,550,000	9,198,734	16,748,734
2021/22-2025/26	9,220,000	7,360,605	16,580,605
2026/27-2030/31	11,505,000	4,882,078	16,387,078
2031/32-2035/36	10,930,000	1,898,703	12,828,703
2036/37-2038/39	2,870,000	226,013	3,096,013
Total	$48,205,000	$34,047,554	$82,252,554

Source: City of Fremont.

Certificates of Participation

Following is a summary of long-term certificates of participation of the City as of June 30, 2011 and March 31, 2012. These certificates of participation represent financing lease obligations payable from the general funds of the City, though the Variable Rate Demand Certificates of Participation (1998 Family Resource Center Financing Project) lease payments are entirely funded from Family Resource Center tenant lease payments.

CITY OF FREMONT
Certificates of Participation and Revenue Bond Obligations of the City of Fremont
As of June 30, 2011 and March 31, 2012

Issue	Amounts Outstanding June 30, 2011	Amounts Outstanding March 31, 2012
Variable Rate Demand Certificates of Participation (1998 Family Resource Center Financing Project) [(a)]	$9,645,000	$9,305,000
Certificates of Participation (1998 Police Facility Refinancing Project)	14,080,000	13,410,000
Variable Rate Demand Certificates of Participation (2001 Capital Improvement Financing Project)	28,830,000	27,920,000
Variable Rate Demand Certificates of Participation (2001B Office Building and Fire Equipment Project)	7,180,000	6,740,000
Certificates of Participation (2008 Refinancing Project)	26,785,000	26,280,000
Certificates of Participation Variable Rate Demand Certificates of Participation (2008 Financing Project)	46,960,000	46,045,000
Certificates of Participation Variable Rate Demand Certificates of Participation (2010 Financing Project)	15,000,000	15,000,000
Total	$148,480,000	$144,700,000

[(a)] Self-supporting from Family Resource Center tenant lease payments.

Source: City of Fremont.

The future fiscal year net annual certificates of participation lease payments (variable rate demand certificates of participation leases with a weekly interest rate reset are included, with interest rates estimated; the Variable Rate Demand Certificates of Participation (1998 Family Resource Center Financing Project), which are self-supporting, are excluded), from June 30, 2011 are estimated as follows:

FREMONT PUBLIC FINANCING AUTHORITY
Certificates of Participation of the City of Fremont
Estimated Net Annual Lease and Debt Service Payments From June 30, 2011

Year	Net Lease and Debt Service Payments
2011/12	$11,161,717
2012/13	11,079,838
2013/14	11,006,374
2014/15	11,362,369
2015/16	11,272,797
2016/17-2020/21	53,771,468
2021/22-2025/26	50,109,635
2026/27-2030/31	37,235,225
2031/32-2035-36	26,253,074
2036/37-2038/39	13,966,478
Total	237,218,975
Less interest and fees	(98,383,975)
Total principal	$138,835,000

Source: City of Fremont.

Tax Allocation Bonds

There are no Agency tax allocation bonds outstanding.

Special Assessment District Bonds

Special assessment district bonds have been issued under various public improvement acts of the State and are secured by liens against properties within the respective special assessment district deemed to have benefitted by the improvements for which the bonds were issued. The City Council sits as the governing body for its special assessment districts and the City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bond holders, and initiating foreclosure proceedings when necessary. These bonds are limited obligations of the City payable solely from annual assessments, specific reserves and the proceeds from property foreclosures with respect to the issuing special assessment district. Aggregate special assessment district bonded indebtedness as of June 30, 2011, was approximately $5,670,000.

Special Tax Bonds

Community Facilities District 1, established by the City pursuant to the Marks-Roos Community Facilities Act of 1982, As Amended, issued $30,000,000 in Special Tax Bonds on June 27, 2001, and $38,000,000 Special Tax Bonds, Series 2005, on July 21, 2005. As of June 30, 2011 there were $28,970,000 of the 2001-issued bonds outstanding, and $38,000,000 of the 2005-issued bonds outstanding. These bonds are payable solely from a special tax levied on property within Community Facilities District 1, and are not an obligation of the City.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., and dated April 1, 2012. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. Any inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc., Oakland, California.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

CITY OF FREMONT
Statement of Direct and Overlapping Debt

2011/12 Assessed Valuation:	$33,560,212,389
Redevelopment Incremental Valuation:	(3,451,662,193)
Adjusted Assessed Valuation:	$30,108,550,196

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percent Applicable	Debt as of April 1, 2012
Bay Area Rapid Transit District	6.902%	$28,473,511
Chabot-Las Positas Community College District	0.007	31,214
Ohlone Community College District	82.594	171,779,001
Fremont Unified School District	100.000	174,976,746
Sunol Glen Unified School District	0.285	2,978
City of Fremont	100.000	47,095,000
City of Fremont Community Facilities District No. 1	100.000	66,625,000
City of Fremont 1915 Act Bonds	100.000	3,080,000
Washington Township Healthcare District	70.972	46,323,424
East Bay Regional Park District	10.724	13,890,261
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		552,277,135
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda County General Fund Obligations	17.831	122,580,458
Alameda County Pension Obligations	17.831	23,454,996
Alameda-Contra Costa Transit District Certificates of Participation	21.639	7,462,209
Chabot-Las Positas Community College District Certificates of Participation	0.007	302
City of Fremont Certificates of Participation	100.000	144,700,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		298,197,965
COMBINED TOTAL DEBT		$850,475,100[a]

[a] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011/12 Assessed Valuation:
Direct Debt ($47,095,000) 0.14%
Total Direct and Overlapping Tax and Assessment Debt 1.65%

Ratios to Adjusted Assessed Valuation
Combined Direct Debt ($196,685,000) 0.64%
Combined Total Debt 2.82%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

Source: California Municipal Statistics, Inc.

Self-Insurance Program

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1981/82, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. The City is self-insured for up to $500,000 for each workers' compensation claim, $500,000 for each general liability claim, $25,000 for each property claim, and the full amount of the loss for unemployment claims. General liability and workers' compensation claims in excess of $500,000 are covered under separate joint powers authority programs. The City retains an independent actuary to analyze the City's potential liability for the City's self-insured portion of the general liability and workers' compensation program. The amount recorded as a liability is the specific reserve for any individual known lawsuits not covered under the general liability or the workers' compensation program estimates for incurred but not reported claims, plus any claims that fall within the City's self-insured retention. The accrued claims in the Risk Management Fund of the City as of June 30, 2011 were $11,998,000.

In February 1986, the City joined with other municipalities and regional municipal joint powers authorities to form the California Joint Powers Authority ("CJPA"), a public entity risk pool currently operating as a general liability risk management and insurance program for 24 member entities. On July 1, 1990, the name of the CJPA was changed to the California Joint Powers Risk Management Authority (the "CJPRMA"). The objective of the CJPRMA is to spread the adverse effects of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its cost. General liability claims in excess of $500,000 and up to $40,000,000 per occurrence are covered by the CJPRMA.

Since June 2006, the City has also been a member of the CSAC Excess Insurance Authority ("CSAC"). CSAC membership contains 54 California counties and 152 organizations (cities, school districts, special districts and other JPAs). Workers' compensation claims in excess of $500,000 are covered by CSAC through reinsurance up to an aggregate limit of $250,000,000. Settled claims have not exceeded this commercial coverage in any of the last three fiscal years.

City Investment Policy and Portfolio

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by outside fiscal agents under the provisions of bond indentures and certificates of participation trust agreements. Under provisions of the City's investment policy and in accordance with Government Code Section 53601, the City may invest in the following types of investments: securities of the U.S. government, its sponsored agencies and instrumentalities; insured or collateralized certificates of deposit (or time deposits); negotiable certificates of deposit; bankers' acceptances; commercial paper of "prime" quality; local agency investment fund (State pool) demand deposits; passbook savings account demand deposits; repurchase agreements; reverse repurchase agreements when specifically approved by the City Council; money market funds registered with the SEC; and medium-term corporate notes. Pursuant to provisions of certain bond indentures, certificates of participation trust agreements, funds required to be held by outside fiscal agents under such agreements at the direction of the City may be also, and in certain cases are, invested in guaranteed investment contracts. In fiscal year 1998 the City adopted GASB Statement No. 31, under which the City must adjust the carrying value of its investments to reflect their fair market value at each fiscal year-end and include the effects of these adjustments in the statement of income for that fiscal year.

At December 31, 2011, the City had no investments in repurchase agreements. In addition, although the Government Code allows the City to borrow funds through the use of reverse repurchase agreements, reverse repurchase agreements require approval of the City Council and the City has no such agreement at this time. Investments and cash at December 31, 2011, in all funds were as follows:

TOTAL CITY POOLED INVESTMENTS
(As of December 31, 2011)

Type	Book Value
U.S. government sponsored entity securities	$40,988,114
U.S. government agency - Treasuries	6,000,000
Medium term corporate notes	39,066,443
Time deposits, negotiated certificates of deposit and money market	39,925,764
California Local Agency Investment Fund	100,000,000
Total Investments	$225,980,321

At December 31, 2011, total effective year-to-date yield was 1.64%, excluding the effects of write-downs to investments in Lehman Brothers Holdings, Inc. (Lehman). At December 31, 2011, the City held investments in Lehman which were impaired due to Lehman filing for bankruptcy on September 15, 2008. The City held commercial paper of $2 million (book value $1,958,494) and senior unsecured notes of $2 million par (book value of $2,119,830). The City is unable to assign a value to these impaired securities at this time due to the pending nature of the bankruptcy proceedings. However, the City does not expect the loss on these securities to materially affect either its operations or its ability to service indebtedness. The book value and the fair market value of the City's investment portfolio at December 31, 2011, excluding the Lehman securities, were $225,980,321 and $228,002,759, respectively.

ECONOMIC PROFILE

Population

The City is the second largest city in the County, the fourth largest in the San Francisco Bay Area and the twentieth largest in the State. The following table sets forth the annual California Department of Finance estimates for the City and the County for 2007 through 2011 as of January 1 of each year.

CITY OF FREMONT
Population

Year	City of Fremont	Alameda County
2007	211,162	1,522,597
2008	213,512	1,537,719
2009	215,787	1,557,749
2010	214,089	1,510,271
2011	215,711	1,521,157

Source: For the years 2007 - 2011, State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2001-2009, with 2000 Benchmark. Sacramento, California, May 2010, and E-5 Population Estimates for Cities, Counties and the State, 2010-2011, with 2010 Benchmark. Sacramento, California, April 2010.

Employment

The following table summarizes historical employment and unemployment in the Oakland-Fremont-Hayward Metropolitan Division, comprised of Alameda and Contra Costa Counties.

OAKLAND FREMONT HAYWARD METROPOLITAN DIVISION
Civilian Labor Force, Employment and Unemployment
Annual Averages

	2007	2008	2009	2010	2011
Civilian Labor Force[a]					
Employment	1,202,900	1,202,600	1,152,300	1,133,700	1,151,600
Unemployment	59,000	78,700	133,500	144,200	133,400
Total	1,262,000	1,281,300	1,285,800	1,277,900	1,285,000
Unemployment Rate[b]	4.7%	6.1%	10.4%	11.3%	10.4%

[a] Based on place of residence; March 2010 Benchmark, except 2011 data is March 2011 Benchmark.
[b] The unemployment rate is calculated using unrounded data.

Source: California Employment Development Department, Labor Market Information Division

For calendar year 2011 for the City alone the California Employment Development Department, Labor Market Information Division reports that the average unemployment rate was 7.5%.

The following table summarizes the historical numbers of workers in the Oakland-Fremont-Hayward Metropolitan Division by industry.

OAKLAND-FREMONT-HAYWARD METROPOLITAN DIVISION
Estimated Number of Wage and Salary Workers by Industry[(a)]
(in thousands)

	2007	2008	2009	2010	2011
Agricultural	1,500	1,400	1,400	1,400	1,600
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	71,700	64,900	53,500	47,400	46,300
Manufacturing	94,400	93,100	82,800	79,700	79,000
Trade, Transportation and Utilities	199,300	193,000	179,000	173,600	173,900
Information	29,000	27,800	25,300	23,600	22,700
Financial Activities	58,100	52,700	48,000	48,200	47,200
Professional and Business Services	158,200	162,400	148,700	152,100	154,200
Educational and Health Services	128,300	133,000	137,200	136,400	137,500
Leisure and Hospitality	88,000	89,100	85,100	85,800	87,300
Other Services	36,200	36,100	34,700	35,000	35,900
Government	183,900	177,200	172,500	165,300	160,800
Total All Industries	1,049,700	1,031,800	969,400	949,700	947,600

(a) The industry employment data are now based upon the North American Industry Classification System (NAICS). Newly released data are ***not*** comparable to the data based on the Standard Industrial Classification (SIC). Items may not add to totals due to independent rounding. March 2010 Benchmark, except 2011 data is March 2011 Benchmark.

Source: California Employment Development Department, Labor Market Information Division.

Largest Employers

The following table represents the major employers in the City:

CITY OF FREMONT
Major Employers

Company	Product/Service	Employees
Fremont Unified School District	Education	3,000
Washington Hospital	General Hospital	1,817
Boston Scientific/Target Therapeutics, Inc.	Medical and scientific equipment and devices	1,200
Western Digital	Manufacture of computer disk drives and solid state drives	1,200
Seagate Magnetics	Manufacturers computer disk drives	1,060
AXT Incorporated	Manufacturers semiconductors and related devices	972
Lam Research Corporation	Supplier of wafer fabrication equipment and services to the semiconductor industry.	920
City of Fremont	City municipal government and services	848
DMS Facility Services, Inc.	Building maintenance services lawn/garden services	800
Solyndra	Manufacturers solid state modules	800

Source: City of Fremont

Residential Building Activity

The following table reflects the five-year history of residential building permits and their valuation for the City:

CITY OF FREMONT
Privately-Owned Residential Building Permits
(Dollars in Thousands)

Year[a]	Units[b]	Construction Cost
2006	252	$58,984
2007	392	79,287
2008	280	65,626
2009	301	69,206
2010	315	68,817

[a] As of January 1.
[b] Does not include alterations and additions.

Source: U.S. Bureau of the Census.

According to the Association of Bay Area Governments (ABAG), the County is expected to experience a household demand of 91,050 for 1995 to 2015, exceeding the local policy potential housing unit supply of 83,610 units for this period.

Commercial Activity

The following table reflects the five-year history of retail outlets and taxable retail sales in the City:

CITY OF FREMONT
Trade Outlets and Taxable Sales
(Dollars in Thousands)

Year	Outlets	Taxable Sales
2005	5,419	$2,647,214
2006	5,220	2,915,868
2007	5,110	3,142,082
2008	5,053	2,987,231
2009	4,713	2,446,240

Source: California Board of Equalization.

Median Household Income

Effective Buying Income (EBI) is defined as money income less personal income tax and non-tax payments, such as fines, fees or penalties, a number often referred to as “disposable” or “after-tax” income. The following table represents the five year history of median household EBI for the City and the State:

CITY OF FREMONT AND STATE OF CALIFORNIA
Median Household Effective Buying Income

Year	City of Fremont	California
2007	$73,245	$48,203
2008	75,443	48,952
2009	76,939	49,736
2010	72,074	47,177
2011	71,874	47,062

Source: “Survey of Buying Power”, Sales and Marketing Management Magazine for 2007 and 2008 and The Nielson Company for 2009 through 2011.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the City’s compliance with the above referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the City with respect to certain material facts within the City’s knowledge Bond Counsel’s opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code includes provisions for an alternative minimum tax (“AMT”) for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation’s alternative minimum taxable income (“AMTI”), which is the corporation’s taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation’s “adjusted current earnings” over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). “Adjusted current earnings” would include certain tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Bonds subsequent to the initial public offering, should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in **"APPENDIX B—PROPOSED FORMS OF OPINIONS OF BOND COUNSEL—Bonds".**

OTHER LEGAL MATTERS

No Litigation

No litigation is pending concerning the validity of the Bonds, and a certificate or certificates to that effect will be furnished to the initial purchaser of the Bonds at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to receive *ad valorem* taxes or to collect other revenues or contesting the City's ability to issue and retire the Bonds.

Legality for Investment in California

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible security for deposits of public moneys in California.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bond Counsel. A complete form of the proposed opinion of Bond Counsel is set forth in **APPENDIX B** hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement.

MISCELLANEOUS

Rating

Standard & Poor's has assigned its rating of **"AA+"** with a **"stable outlook"** to the Bonds. Such ratings reflect only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency at the following address: Standard & Poor's, 55 Water Street, 38th Floor, New York, New York 10041.

Generally, a rating agency bases its rating on the information and materials furnished to it (some of which may not be included in this Official Statement) and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgement of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Underwriting

Pursuant to the terms of a public sale held on April 10, 2012, ____________________, as Underwriter (the "Underwriter"), has agreed to purchase the Bonds from the City at the purchase price of $_____________. The Underwriter has represented to the City that the Bonds were reoffered to the public at the prices or yields set forth on the cover page of this Official Statement, at an aggregate reoffering price of $_______________________. The Underwriter will be obligated to take and pay for all of the Bonds, if any Bond is purchased

Continuing Disclosure

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days following the end of the City's fiscal year (the "Annual Report"), commencing with the Annual Report for the 2011/12 Fiscal Year, which is due no later than April 1, 2013 and to provide notices of the occurrence of certain enumerated events, if material. Currently, the City's Fiscal Year ends on June 30 of each year. The Annual Report will be filed by the City in readable PDF or other acceptable electronic form with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board ("EMMA"). Any notices of material events will be filed with EMMA in the same manner as an Annual Report. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption **"APPENDIX C — Form of Continuing Disclosure Certificate."** These covenants have been made to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Financial Advisor

The City has entered into an agreement with the Financial Advisor, whereunder the Financial Advisor provides financial recommendations and guidance to the City with respect to preparation and sale of the Bonds. The Financial Advisor has read and participated in the drafting of certain portions of this Official Statement and has supervised the completion and editing thereof. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information, and the Financial Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the documents, statutes and constitutional provisions referenced herein, do not purport to be complete, and reference is made to said documents, statutes, and constitutional provisions for full and complete statements of their provisions. Appropriate City officials, acting in their official capacities, have determined that as of the date hereof, to the best of their knowledge and belief, the information contained herein (excluding the description of the DTC and its book-entry system, and information relating to the reoffering prices of the Certificates to investors, provided by the Underwriter), did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. This Official Statement has been reviewed and approved by the City.

CITY OF FREMONT

By *_/s/_*______________________________

Finance Director

APPENDIX A

BASIC FINANCIAL STATEMENTS, WITH MANAGEMENT'S DISCUSSION AND ANALYSIS, INDEPENDENT AUDITOR'S LETTER AND CERTAIN SUPPLEMENTARY INFORMATION FOR YEAR ENDED JUNE 30, 2011 FOR CITY OF FREMONT

C&L
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 Fremont
Fremont, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fremont, California (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained further in note 14 to the basic financial statements, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011, on our consideration of the City'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 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.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 through 31 and 89 through 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
December 29, 2011

As management of the City of Fremont, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Fremont for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our Letter of Transmittal, which can be found in the Introductory Section at the front of this report.

FINANCIAL HIGHLIGHTS

- At the close of the most recent fiscal year, the assets of the City of Fremont exceeded its liabilities at by $927,709,000 (*net assets*). Of this amount, $33,743,000 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements. The amount of *unrestricted net assets* at June 30, 2011 is 21.2% less than the same amount from the prior year ($42,803,743).

- Both revenues and expenses were less than the prior year. However, the City's total *net assets* on a city-wide basis increased by $7,561,000.

- As of June 30, 2011, the City of Fremont's governmental funds reported combined ending fund balances of $252,816,000, an increase of $4,789,000 in comparison with the prior year. Of this amount, 91% ($229,960,000) is not available for discretionary spending because the fund balances are either *restricted* for specific purposes by legal restrictions or external funding source providers, *committed* for specific purposes by City Council, *assigned* to liquidate contracts and purchase orders, or are *nonspendable* in form such as long term receivables. The remaining 9% ($22,856,000) is *unassigned* fund balance available for spending at the City's discretion, but is also subject for future contingencies.

- As mentioned above, at the end of FY 2010/11, *unassigned* fund balance for the General Fund was $22,856,000. Of this amount, $14,642,000 was designated by City Council policy for unforeseen events (contingencies) and $7,421,000 was designated by City Council to provide funds to deal with significant levels of potential financial volatility related to the uncertain economic environment and the unknown effects of the State budget. Both of these policies were adopted by City Council in June 1996 and revised in June 2009. Please refer to Note #1(L) for more information on the City's polices for contingencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Fremont's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Fremont's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities on an entity-wide basis, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation and other compensated leave).

All of the City's activities are considered to be governmental in nature and, as a result, no business-type activities are reported in these statements. Governmental activities are those that are principally supported by taxes and intergovernmental revenues. For the City of Fremont, governmental activities consist of police services, fire services, human services, capital assets maintenance, recreation services, community development and environmental services, and general government administration.

The City is the primary government in this report. There are no discretely presented component units. However, these financial statements include three other entities that, although legally separate, are important because the City is financially accountable for them. These component units are the Redevelopment Agency of the City of Fremont (Agency), the Fremont Public Financing Authority (Authority), and the Fremont Social Services Joint Powers Authority (JPA). These component units have been included as an integral part of the City of Fremont (that is, their accounts are "blended" with those of the City) and they are not reported as separate discrete component units in these financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fremont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fremont can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities shown in the government-wide financial statements.

The City of Fremont maintains forty-two individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following individual funds that are considered to be major funds:

- General Fund
- Redevelopment Agency Operations
- Low and Moderate Income Housing
- Redevelopment Agency Debt Service
- Redevelopment Agency Capital Projects
- Development Impact Fees
- Development Cost Center
- Recreation Services

Data for the other thirty-four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, and the Redevelopment Agency Operations, Development Cost Center, and Recreation Services funds. Budgetary comparison statements are provided elsewhere in this report to demonstrate compliance with the adopted budget.

Proprietary funds. The only proprietary funds the City has are internal service funds, which are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management activities and information technology services. Because these services exist to benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The only fiduciary funds the City has are agency funds. The accounting used for these funds is much like that used for governmental funds. These funds are reported in a separate statement of fiduciary net assets.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements follow the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes budgetary comparison schedules, as well as more detailed information about the City's use of the modified approach for certain of its infrastructure assets, and about its progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial position. In the case of the City of Fremont, assets exceeded liabilities by $927,709,000 at the close of the 2010/11 fiscal year. In comparison, last year assets exceeded liabilities by $920,148,000, after taking into account a prior period adjustment this year related to accrued interest on housing loans receivable.

Information about net assets is presented in the summary schedule, below:

SUMMARY OF NET ASSETS
JUNE 30, 2011 AND 2010
(dollars in thousands)

	2011	2010	Percentage Change
Current and other assets	$ 310,642	$ 304,957	1.9%
Capital assets	881,668	868,280	1.5%
Total assets	**1,192,310**	**1,173,237**	1.6%
Current liabilities	44,350	45,786	(3.1%)
Noncurrent liabilities	220,251	207,303	6.2%
Total liabilities	**264,601**	**253,089**	4.5%
Net assets:			
Invested in capital assets, net of related debt	685,668	682,687	0.4%
Restricted	208,298	194,657	7.0%
Unrestricted	33,743	42,804	(21.2%)
Total net assets	**$ 927,709**	**$ 920,148**	0.8%

Total assets were $19,073,000 higher in FY 2010/11 compared to FY 2009/10 for a combination of reasons. There were $13,388,000 in net capital asset additions, $12,416,000 more in restricted cash from issuance of long term debt, and a $512,000 increase in condemnation deposits. These increases were partially offset by decreases in current cash of $6,167,000, primarily attributable to lower interest earnings, and a $1,724,000 decrease in overall receivables primarily due from less reimbursements from grant funding sources.

Total liabilities were $11,512,000 greater in FY 2010/11 compared to the prior fiscal year. The majority of the increase is due to issuance of $15,000,000 in certificates of participation (long-term debt) in December 2010, less current payments for debt service of $4,680,000.

By far, the largest portion of the City's net assets (74%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (22.5%) represents restricted resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (3.5%) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net assets increased by $7,561,000 during the current fiscal year. Information about changes in net assets is presented in the summary schedule, below:

SUMMARY OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(dollars in thousands)

	2011	2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 30,781	$ 33,564	(8.3%)
Operating grants and contributions	20,878	22,854	(8.6%)
Capital grants and contributions	702	8,383	(91.6%)
General revenues:			
Property tax	100,080	102,848	(2.7%)
Sales tax	30,089	26,770	12.4%
Business tax	6,820	7,106	(4.0%)
Transient occupancy tax	3,476	2,867	21.2%
Property transfer tax	1,031	976	5.6%
Vehicle license in-lieu fees	992	634	56.5%
Development impact fees	6,790	6,977	(2.7%)
Franchise fees	8,215	7,929	3.6%
Investment earnings	4,297	6,359	(32.4%)
Miscellaneous	4,327	8,393	(48.4%)
Total revenues	**218,478**	**235,660**	(7.3%)
Program expenses:			
General government	11,971	11,431	4.7%
Police services	54,926	55,616	(1.2%)
Fire services	34,483	33,959	1.5%
Human services	8,908	8,939	(0.3%)
Capital assets maintenance and operations	42,076	46,720	(9.9%)
Recreation services	6,731	6,868	(2.0%)
Community development and environmental services	45,448	52,911	(14.1%)
Interest on debt	6,374	4,284	48.8%
Total program expenses	**210,917**	**220,728**	(4.4%)
Pollution remediation obligation	_	(475)	100%
Increase in net assets	7,561	15,047	(49.8%)
Net assets, beginning of year	920,148	914,741	0.6%
Prior period adjustment	_	(10,000)	100%
Net assets, end of year	$ 927,709	$ 920,148	0.8%

Revenues. Charges for services decreased by $2,783,000 (8.3%) compared to the prior year. The decrease is mainly attributed to overall decreased development activity in response to the continuing sluggish economy and depressed housing market.

Operating grants and contributions decreased by $1,976,000 compared to the prior fiscal year because of less federal grant revenue. American Recovery Revenue Act (ARRA) federal funds were one-time moneys disbursed in the prior fiscal year.

Capital grants and contributions decreased by $7,681,000 (91.6%) compared to the prior year because significant street improvements and capital projects funded with grants and contributions were completed last year. The most significant completed project was a $6 million street overlay project.

The City's property tax revenues decreased $2,768,000 (2.7%) from the prior year. Although the City's general property tax was down modestly, this significant decrease occurred in the Redevelopment Agency. Less property tax increment was received as properties in the project areas continue to experience significant foreclosures and downward reassessments. Gross assessed value for secured property in the City decreased 0.3% from FY 2009/10 to FY 2010/11, compared to a decrease of 0.2% from FY 2008/09 to FY 2009/10. For the Redevelopment Agency, the decrease from FY 2009/10 to FY 2010/11 was 5.4%. There was virtually no change in gross assessed value for secured property in the Redevelopment Agency in the prior year.

On the flip side, sales tax revenue increased for the first time in several years. Compared to the prior fiscal year, sales tax grew by $3,319,000 (12.4%). However, the total sales tax collected is still less than the amount collected in FY 2008/09. This year's increase is due to a $1.75 million increase in the "triple flip" sales tax replacement payment, while the remainder is due to some recovery in business to business and auto sales, combined with increased gasoline prices.

After being flat or decreasing for the past few years, transient occupancy tax revenue increased by 21.2% ($609,000) over last year. This is due to an increase in both hotel occupancy rates and room rates, and is an indicator of an economy that may be starting to recover.

Property transfer tax increased 5.6%, from $976,000 in FY 2009/10 to $1,031,000 in FY 2009/10, largely due to an increase in the number of transactions that occurred between fiscal years. However, the average dollar value per transaction was lower because of the significant number of foreclosed properties on the market.

Vehicle in-lieu license fees (VLF) increased by 56.5% over last year due to a $453,000 one-time payment from the State for an audit of prior years' fees owed to cities. Without that one-time payment, VLF revenues actually decreased by 15% compared to the prior year.

Investment earnings were much lower in FY 2010/11 compared to FY 2009/10 because of lower cash on hand and lower yields compared to the prior fiscal year. In FY 2010/11, the average portfolio yield was 1.61%, compared to 2.13% in FY 2009/10.

Program Expenses. As total revenues decreased by 7.8% over the prior year, total program expenses also decreased by 4.4% to $210,917,000 in FY 2010/11. For each governmental activity, the total costs are the expenses associated with that activity. Net costs take into account any revenues that support the costs of an activity directly, such as grants and charges for services. Information about the total cost and net cost of governmental activities is presented below:

TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(dollars in thousands)

	Total Cost of Services			Net Cost of Services		
	2011	2010	% Change	2011	2010	% Change
Police services	$ 54,926	$ 55,616	(1.2%)	$ 49,754	$ 49,438	0.6%
Fire services	34,483	33,959	1.5%	30,930	30,348	1.9%
Human services	8,908	8,939	(0.3%)	3,123	3,648	(14.4%)
Capital assets maintenance and operations	42,076	46,720	(9.9%)	27,304	21,783	25.3%
Recreation services	6,731	6,868	(2.0%)	1,191	1,387	(14.1%)
Community development and environmental services	45,448	52,911	(14.1%)	28,908	34,526	(16.3%)
General government	11,971	11,431	4.7%	10,971	10,514	4.3%
Interest on debt	6,374	4,284	48.8%	6,374	4,284	48.8%
Total	**$ 210,917**	**$ 220,728**	(4.4%)	**$ 158,555**	**$ 155,928**	1.7%

Police services expenses decreased this year. Police salary and benefit costs were down because of vacancies and overtime charges were reduced because no major events occurred during the fiscal year. The increase in fire services is due to overtime costs.

Human services is flat in total cost of services but is lower than last year in net cost of services. The lower cost in net services is due to increased grant funding.

Total costs for capital assets maintenance and operations decreased 9.9%, primarily because of $5.5 million in street overlay projects that were funded by the American Recovery and Reinvestment Act (ARRA) were completed last year. The lack of receipt of ARRA funds in FY 2010/11 is the primary cause for the significant increase in net cost of services.

Recreation services expenses this year are slightly lower compared to prior year. Net costs are slightly lower due to continued growth in attendance at the Water Park.

Community development and environmental services expense decreased by 14.1% ($7,463,000) over the prior fiscal year due to significant decreases in spending in the Low and Moderate Income Housing fund, Redevelopment Agency Capital Projects fund, and Development Cost Center funds. While there were increases in housing projects of $4.5 million, those increases were offset by reduced expenditures in development projects. Part of the decrease is also attributable to a decrease in the State-required payment to the Supplemental Educational Revenue Augmentation Fund (SERAF). In FY 2009/10, Fremont's redevelopment agency was required to pay $10,919,000. This amount decreased to $2,248,000 in FY 2010/11, the last year for the SERAF requirement.

The total cost of general government services increased slightly by 4.7% ($540,000). This is attributable to a one-time "clean-up" accrual of the compensated time off liability (resulting from the "banking" of overtime worked for future time off, rather than taking the overtime compensation in cash). For ease of administration, this adjustment was recorded as a "general government" expense when, in reality, it is attributable to all departments in the organization.

Interest on debt was 48.8% ($2,090,000) greater in FY 2010/11 than in FY 2009/10. This is primarily attributable to the issuance of $15 million of new debt in December 2010. A significant portion of the City's long-term debt is variable rate debt, and interest payments fluctuate weekly according to market rate changes. Overall, interest rates on variable rate debt were lower this year as compared to last year. However, there were a number of letter of credit and debt administration fees incurred this fiscal year because several letters of credit needed to be replaced, either because the financial institution (a European bank) was no longer providing letters of credit for California municipalities, or because concerns about the financial institution (another European bank) were causing the market to impose an interest penalty. Those issues have since been resolved, and the City's variable rate debt continues to reset each week at rates under 0.1%.

Economic factors and next year's budget are discussed in more detail later in this discussion and analysis.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of FY 2010/11, the City's governmental funds reported combined ending fund balances of $252,816,000, an increase of $4,789,000 from the prior year. Of this amount, 0.7% ($1,842,000) is nonspendable because it relates to prepaid assets and long term receivables, 81% ($204,777,000) is legally restricted for specific purposes by enabling legislation or external funding source providers, 9% ($22,378,000) is committed for specific purposes by the City Council, and 0.3% ($962,000) is assigned to liquidate remaining balances on contracts and purchase orders (encumbrances). The remaining 9% ($22,856,000) is unassigned fund balance available for spending at the City's discretion, but is also subject to Council policies established for future contingencies.

The following are the major funds that either qualified under the reporting criteria or were considered to be important to financial statement users:

General Fund – The General Fund is the City's chief operating fund. At the end of FY 2010/11, total fund balance was $28,062,000, of which $22,856,000 is unassigned. The primary components of this unassigned amount are $14,642,000 (10.0% of budgeted expenditures and transfers out), designated by City Council policy for use for costs associated with unforeseen events (contingencies), in accordance with a policy adopted by the City Council in June 1996, and revised in June 2009, and $7,421,000, set aside by Council policy to provide funds to deal with budget uncertainty, such as significant levels of potential financial volatility related to the uncertain economic climate and the unknown effects of the ongoing State budget imbalance. This year, $3,418,000 was needed from this budget uncertainty set-aside to balance the General Fund operating budget, leaving a balance of $7,421,000.

The fund balance of the City's General Fund decreased by $839,000 during the 2010/11 fiscal year, compared to a decrease of $2,198,000 in the prior year. Revenues and transfers in of $131,158,000 were 2.6% ($3,378,000) higher than in FY 2009/10. Although total revenues were higher than last year primarily due to a $3,320,000 increase in sales tax, there were decreases in property tax, business tax, and investment earnings that contributed negative revenue growth in the General Fund. Of the transfers in, $2,350,000 was transferred into the fund balance amount designated for budget uncertainty from closed out or defunded capital projects. Expenditures and transfers out of $131,997,000 increased by 1.6% ($2,019,000). Transfers out of the General Fund were $3,372,000 higher than last year. This reflects the move of Human Services activities into a special revenue fund because the majority of its funding comes from outside sources. Effective with FY 2010/11, there is no longer an expenditure line item in the General Fund for Human Services. Instead, this activity receives its General Fund resources as a transfer out (in the amount of $3,622,000 this year), and a transfer into a special revenue fund.

Redevelopment Operations Fund – This is the Redevelopment Agency's operating fund and it is funded with transfers from the Agency's Debt Service Fund. This fund records the administrative expenditures required to support the Agency's capital projects and includes pass-through payments to other taxing entities. This fund balance totaled $6,745,000 at June 30, 2011, compared to $109,000 a year earlier. The increase is attributable to a higher transfer in from the Agency's Debt Service Fund, in anticipation of increased pass-through payments. However, the Agency's final payment to the Supplemental Educational Revenue Augmentation Fund (SERAF) and a one-time fixed ERAF payment, both totaling $4.4 million, were paid from the Redevelopment Capital Projects Fund, rather than coming from this fund.

Low and Moderate Income Housing Fund – This fund receives 20% of the Redevelopment Agency's tax increment revenue, $7,016,000 in FY 2010/11, as a set-aside for development of affordable housing. This fund balance totaled $18,360,000 at June 30, 2011, compared to $19,839,000 a year earlier. The decrease in fund balance is mostly due to $4.5 million more project expenditures compared to the previous year, primarily for the Eden Housing – Peralta Boulevard Senior Apartments project and the Main Street Village project. All of the fund balance is restricted for future low and moderate income housing projects as part of the Agency Board's adoption of the Agency's funding allocations plan and project appropriations plan.

Redevelopment Agency Debt Service Fund – This fund receives 80% of the Redevelopment Agency's tax increment revenue to repay outstanding debt and support the Agency's non-housing redevelopment projects. This amounted to approximately $28,063,000 in FY 2010/11. Total tax increment revenue (including the 20% set-aside for housing) decreased 6% in FY 2010/11, to $35,079,000 from $37,311,000 in the previous fiscal year. Revenues are transferred from this fund to the Agency's Redevelopment Operations Fund to support operations, and to the Capital Projects Fund for non-housing projects. During FY 2010/11, the total transfer out of this fund was $20,000,000, of which all went to fund operating expenditures. The major operating expenditure was pass-through payments to other taxing jurisdictions ($11,880,000).

Redevelopment Agency Capital Projects Fund – This fund accounts for the remaining proceeds of tax allocation bonds and tax increment revenues that are not needed for debt service and can be used to fund the Agency's non-housing projects. Expenditures are shown in the community development and capital outlay categories. Fund balance totaled $46,251,000 at June 30, 2011, compared to $52,960,000 a year earlier. The decrease was due to completion of regional transportation projects ($1.1 million) and redevelopment efforts in the historic district project areas ($4.5 million). In addition, the State-mandated SERAF payment and a one-time fixed ERAF payment, together totaling $4.4 million, were paid from this fund during the year.

Development Impact Fees – This fund represents the aggregate total of park dedication, park facility, fire impact, traffic impact and capital facility fees. These fees are levied on all new development in the City to pay for the construction and improvement of public facilities needed as a result of growth. Fees collected in FY 2010/11 were 2.7% lower than the amount collected in FY 2009/10, reflecting the continuing challenges of the severe recession. During FY 2010/11, 76.5% of this fund's expenditures ($5,754,000) were for park-related projects, and 23.5% ($1,770,000) were for traffic-related impacts. In addition, $950,000 was transferred to another fund for debt service related to capital facilities.

Because these funds are collected for construction or improvements of public facilities, the fund balance of $59,279,000 is restricted for capital projects, including park development and acquisition. These funds have not yet been spent because of the difficulty in obtaining suitable parcels of land and the operational maintenance impacts of adding new parks. These projects are progressing cautiously because of the need to ensure that sufficient operating revenues exist so that park facilities can be adequately and appropriately maintained.

Development Cost Center – This fund was established to account for engineering, planning, and building and construction inspection activities related to the City's land use planning and construction regulatory responsibilities. Its customers are not only the development community, but also the City itself for its own capital projects. User fees collected in this cost center are used for the benefit of the fee payers who are developing their real property by covering the costs of City regulatory programs.

Real property development activity has been significantly affected by the recession experienced in the past several years. In FY 2007/08, the total valuation of permits issued was $390,898,000. In FY 2008/09, there was a large decline in building permit activity due to the economic downturn, and total valuation fell to $217,729,000. In FY 2009/10, there was a significant increase in building permit activity and the total valuation was $438,352,000. This was mainly due to a large increase in the commercial activity for large projects such as Solyndra. For FY 2010/11, the valuation declined to $229,576,000. At the end of FY 2010/11, restricted fund balance totaled $3,531,000, down slightly from $3,694,000 in the prior year. This fund balance is restricted for community development purposes that benefit the fee payers and will be used to ensure some continuity of critical development services.

Recreation Services – This fund was established to account for the transactions and activities related to delivery of recreation services. Fees collected for recreation services are used for the development of programs and facilities benefiting fee payers. Fees in the amount of $5,533,000 were 1.1% higher in FY 2010/11 than in the prior year ($5,473,000). Expenditures, however, decreased 3.3% (from $6,730,000 to $6,510,000). At the end of FY 2010/11, restricted fund balance was $4,265,000, an increase from $3,987,000 in the prior year. Because every effort is made to ensure that recreation services offered are those the community wants, the remaining fund balance will be used to develop or maintain recreation facilities and preserve the continuity of recreation services during economic downturns.

Non-major Governmental Funds – The City's non-major funds are presented in the basic financial statements in the aggregate. At June 30, 2011, non-major funds had total fund balance of $78,059,000 of which 76% ($59,341,000) is legally restricted for specific purposes by external funding source providers and 24% ($18,718,000) is committed for specific purposes by the City Council. More information about these aggregated non-major funds can be found in the combining statements immediately following the required supplementary information.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget is prepared in accordance with generally accepted accounting principles. A summary of the budgetary comparison schedule for the General Fund, located in the required supplementary information following the notes to the financial statements, is as follows:

SUMMARY OF GENERAL FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011
(dollars in thousands)

	Original Budget	Final Budget	Actual Budget Basis	Favorable (Unfavorable) Variance from Final Budget
Beginning fund balance, July 1, 2010	**$ 23,761**	**$ 23,761**	**$ 28,901**	**$ 5,140**
Resources:				
Revenues	120,435	120,435	122,588	2,153
Transfers in	6,344	6,344	8,570	2,226
Total resources	**126,779**	**126,779**	**131,158**	**4,379**
Charges to appropriations:				
Expenditures	118,321	118,031	116,046	1,985
Transfers out	19,111	19,401	15,951	3,450
Total charges to appropriations	**137,432**	**137,432**	**131,997**	**5,435**
Resources over (under) charges to appropriations	(10,653)	(10,653)	(839)	9,814
Ending fund balance, June 30, 2011	**$ 13,108**	**$ 13,108**	**$ 28,062**	**$ 14,954**

The actual beginning fund balance was $5,140,000 higher than the beginning estimate used in the FY 2010/11 budget. Although total expenditures and transfers out during FY 2009/10 were $2,199,000 greater than total revenues and transfers in, actual expenditures turned out to be less than estimated at the time of budget adoption, resulting in more fund balance with which to start FY 2010/11.

Overall, FY 2010/11 General Fund revenues and transfers-in were 3.5% ($4,379,000) higher than budgeted. Compared to the prior year, revenues increased by 2.3% ($122,588,000 in FY 2010/11, as compared to $119,828,000 in FY 2009/10). This followed a year that saw a 6% decline in revenues.

Property tax is the City's main revenue source in the General Fund, and it decreased by $202,000 or 0.3% from last fiscal year (from $61,941,000 in FY 2009/10 to $61,739,000 in FY 2010/11) with continuing foreclosure and negative appraisal activity. In addition, the County Assessor continues to review recent property sales to determine whether values are at or below market value. To the extent that values are in excess of market value, the Assessor is required by legislation implementing Proposition 13 to reduce the assessed value of those properties to market value.

Sales tax is the City's second largest source of revenue, and it is vulnerable to downturns in several segments of the economy. FY 2010/11 actually saw an increase for the first time in several years of $3,319,000 over the previous fiscal year (from $26,770,000 in FY 2009/10 to $30,089,000 in FY 2010/11). The increase is attributed to a $1.75 million increase in the State's "triple flip" property tax replacement payment, while the remainder is attributable to strengthening in business-to-business and auto sales, as well as increased gasoline prices for much of the year.

Transient occupancy tax increased 21.2% ($609,000) over last year due to an increase in both hotel/motel occupancy rates and room rates. This is another indicator that the worst of the recession may be over.

Property transfer tax increased 5.6%, from $976,000 in FY 2009/10 to $1,031,000 in FY 2009/10, largely due to an increase in the number of transactions that occurred between fiscal years. However, the average dollar value per transaction was lower because of so many foreclosed properties on the market.

Vehicle in-lieu license fees (VLF) increased by 56.5% over last year due to a one-time payment from the State for an audit of prior years' fees owed to cities. Were it not for that one-time payment, VLF revenue would have actually decreased by 15% compared to the prior year.

Investment earnings were much lower in FY 2010/11 compared to FY 2009/10 because of lower amounts of cash on hand and lower yields compared to the prior fiscal year. In FY 2010/11, the average portfolio yield was 1.86%, compared to 2.51% in FY 2009/10.

Despite a very modest increase in revenues, active management of expenditures allowed the General Fund to end FY 2010/11 with an operating deficit of $839,000, compared to an operating deficit of $10,653,000 that was anticipated in the original adopted budget. As a result, the General Fund needed $4,381,000 less of the fund balance designated for budget uncertainty than was anticipated at the time of budget adoption. This leaves a balance in the fund balance set aside for budget uncertainty of $7,421,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Following is a summary of the City of Fremont's capital assets at June 30, 2011 and 2010:

SUMMARY OF CAPITAL ASSETS
JUNE 30, 2011 AND 2010
(dollars in thousands)

	2011	2010	Percentage Change
Land	$ 214,729	$ 212,988	0.8%
Land improvements	5,448	5,260	3.6%
Infrastructure – non-depreciable	456,125	452,991	0.7%
Infrastructure – depreciable	322,827	322,589	0.1%
Buildings and improvements	203,431	195,004	4.3%
Equipment	21,605	20,573	5.2%
Vehicles	27,606	28,432	(2.9%)
Construction in progress	21,552	17,827	20.9%
Total capital assets	**1,273,323**	**1,255,664**	1.4%
Less: Accumulated depreciation	391,655	387,384	1.1%
Governmental activities capital assets, net	**$ 881,668**	**$ 868,280**	1.5%

The City's investment in capital assets for its governmental activities as of June 30, 2011, amounts to $881,668,000 (net of accumulated depreciation), compared to $868,280,000 in the prior year. These capital assets include land and land improvements, buildings, equipment, vehicles, streets, curbs and gutters, and construction in progress.

In FY 2010/11, the City added $20,320,000 in new capital assets and disposed of $2,662,000 in capital assets. The disposals consisted of vehicles and equipment that were almost fully depreciated. The net book value of disposed assets was $259,000. Disposals are presented in the financial statements as a decrease in capital assets. The addition to building improvements reflects completed construction to the following facilities: Fire Station 3 for $2,160,000; Fire and Police training facilities for $1,363,000; and replacement of the roof at the Fremont Main Library for $860,000. The increase in construction in progress is primarily due to the Police Building seismic retrofit for $3,654,000, and the Warren Mission Grade Separation project for $3,381,000.

The City has adopted the modified approach of GASB Statement No. 34 for its roads and streets, which means that these capital assets are not required to be depreciated if certain conditions (as described in Item 2 of the Required Supplementary Information following the notes to the financial statements) are met. As a result of the continuing decline of the Pavement Condition Index (PCI) rating, coupled with the severe recession gripping the Bay Area and the nation, the City Council, for FY 2009/10, reaffirmed the use of the modified approach for the City's streets and roads infrastructure, and established a revised range of acceptable condition standard to be "fair" as measured by the City's pavement management system condition assessment index of between 50 and 69. Prior to FY 2009/10, the City's policy had been to achieve an average PCI rating of at least 70 for all of its roads and streets. At June 30, 2011, the City's roads and streets system was rated at an average PCI index of 61, down from the average PCI index of 62 in the prior year. With the continuing decline in the PCI index and the City's ongoing budget challenges, finding sufficient resources to fund street maintenance will be even more challenging for the foreseeable future.

Additional information about the City's capital assets can be found in Note 1.F and Note 4, following the basic financial statements.

Long-term Debt

At the end of FY 2010/11, the City had $196,685,000 in bonds and notes outstanding. Of this amount, $148,480,000 is related to certificates of participation and $48,205,000 is for general obligation bonds. Following is a summary schedule of outstanding debt:

SUMMARY OF LONG-TERM DEBT
JUNE 30, 2011
(dollars in thousands)

	Balance July 1, 2010	Incurred or Issued	Satisfied or Matured	Balance June 30, 2011
General Obligation Bonds:				
Fire Safety Bonds 2003 – Series A	$ 8,770	$ -	$ 240	$ 8,530
Fire Safety Bonds 2004 – Series B	24,490	-	540	23,950
Fire Safety Bonds 2009 – Series C	16,000	-	275	15,725
Certificates of Participation (COPs):				
1998 Public Financing Authority	9,965	-	320	9,645
1998 Public Financing Authority	14,720	-	640	14,080
2001 Public Financing Authority	29,705	-	875	28,830
2001B Public Financing Authority	7,600	-	420	7,180
2008 Public Financing Authority	27,275	-	490	26,785
2008 Public Financing Authority	47,840	-	880	46,960
2010 Public Financing Authority	-	15,000	-	15,000
Total	**$ 186,365**	**$ 15,000**	**$ 4,680**	**$ 196,685**

Of the outstanding debt, 45% is fixed rate debt (compared to 49% in the prior year), with an average interest rate of approximately 3.90% (compared to 4.20% in the prior year). The remaining 55% of the outstanding debt is variable rate debt, with an average interest rate of 0.17% as of June 30, 2011 (compared to 0.94% at the end of the prior fiscal year). The average interest rate on all outstanding City debt is 1.80% at June 30, 2011 (compared to 2.50% for the prior year).

The City Council adopted a debt policy in February 1996 that limits debt obligations of the General Fund to 7% of budgeted expenditures and transfers out. As of July 1, 2011, debt obligations were approximately 3.6% of budgeted expenditures and transfers out, which is within the policy limit.

As of June 30, 2011, the three largest outstanding debt obligations were as follows:

- $46,960,000 in capital COPs, issued on November 13, 2008, to finance the following:
  - » Refunding of outstanding 2002 variable rate COPs
  - » Provide $15,700,000 of funding to construct Fire Station No. 11 and to acquire various pieces of major fire apparatus
- $28,830,000 in capital COPs, issued in 2001, to finance the following:
  - » A police detention and property evidence storage facility
  - » HVAC improvements to the existing police building
  - » Retiring notes used to purchase land for a potential city hall site
  - » Acquisition of and improvements to new city offices at 3300 Capitol Avenue
  - » Acquisition of a site to be used for future construction of the City's Fire Station 11 in the southern Industrial Area. Construction was funded with a separate COP issue
- $26,785,000 in capital COPs, issued on September 16, 2008, to finance the refunding of the outstanding 1990, 1991, and 2003 variable rate COPs

Additional information about the City's long-term debt can be found in Note 5, following the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Like most cities in California and throughout the country, Fremont has been rocked by the longest and deepest recession since the Great Depression. The financial turbulence in the global markets, the nationwide mortgage crisis and related housing downturn, and the State's significant budget problems all affect Fremont's local economic environment.

The nation seems to finally be emerging from the longest, deepest recession since the Great Depression of the 1930s, although unemployment continues to be an issue. The national economy picked up considerably in the fourth quarter of 2010. The broadest measure of productivity in the United States, gross domestic product, increased at 6.5%, after lagging at about 1% for the first three quarters. Prior to that, gross domestic product had contracted for four consecutive quarters between the third quarter of 2008 and the second quarter of 2009, something that had not occurred since the late 1970s. The most recent strong showing is attributed to a shrinking trade deficit, a sudden resurgence in consumer demand, and a bounce in real estate sales. As it often does, California led the way into this economic abyss, and recovery here may be slower than in other parts of the country. Unemployment continues to be at an all-time high – and significantly higher than the national unemployment rate. The local situation was exacerbated by the closure of the NUMMI automobile plant on April 1, 2010, which resulted in the loss of 4,700 jobs locally, and 15,000 jobs in the region.

California now appears to be headed down the road toward economic recovery, but the trip will be long and difficult. Although there has been a slight increase in jobs, some sectors are still struggling. Not surprisingly, sectors tied to the housing market have been the hardest hit. The real estate, rental and leasing industries all hit new lows in January, and construction has yet to emerge from the doldrums. The retail sector, which has seen some decent growth on the spending side, has so far not been able to translate those gains into a significant number of new jobs. In its most recent economic outlook in April, Beacon Economics is forecasting a steady but prolonged recovery for California's economy.

Total budgeted resources (including use of a portion of fund balance) in the coming year will be adequate to support total budgeted expenditures of $134 million. The FY 2011/12 budget is 2.4% less than the prior year's adopted budget because of continued spending reductions in the face of an uncertain economic recovery. The most significant reductions were achieved through negotiated agreements with all of the City's bargaining units to contribute more of their salary to help pay the significant increase in the City's contribution to the California Public Employees' Retirement System. The willingness of the City's employees to help close the budget gap is a reflection of their commitment to the organization and the community, and is a major step in putting the City on the road to fiscal sustainability.

Locally, the City faces two major challenges. First, unemployment remains at historically high levels, which continues to have an impact on consumer-related revenues. Second, property tax revenues continue to suffer because of the rippling effects of the subprime mortgage debacle, the tightening of real estate lending standards, and continued high levels of unemployment. Accordingly, management remains extremely cautious and concerned about future revenue growth and its ability to keep pace with the costs of much-needed basic services.

In addition, the State's continued budget problems are a real threat. Seventy-nine percent of the City's general revenue and 76% of its General Fund revenue are comprised of property and sales taxes and vehicle license fees controlled by the State Legislature. Fremont's financial future is directly linked to the fiscal health of the State government. Although a constitutional amendment (Proposition 1A) was passed by State voters in November 2004 that limits the amounts of reductions of local government revenues in FY 2006/07 and future years and characterizes those reductions as "loans" rather than "take-aways," management continues to be concerned because the State budget continues to have a significant structural imbalance.

In November 2010, California voters approved Proposition 22, which significantly limits the State's ability to access local funds to solve its own budget deficits. While certainly a significant step in the right direction of protecting local revenues, its effects are not retroactive, and it is unknown what additional actions the State may identify to solve its structural budget gap. In addition, voters also passed Proposition 26, which broadens the definition of special taxes subject to a 2/3 voter approval. This action further limits the revenue raising capabilities of local government.

One action the State took to balance its FY 2011/12 budget was to dissolve redevelopment agencies (ABx1 26), and then give them the opportunity to spring back to life by "opting in" and committing to make payments to the State (ABx1 27). Both of these bills were challenged by the California Redevelopment Association and the League of California Cities as being unconstitutional under the provisions of Proposition 13, Proposition 22, and the core tax increment protections provided under Article 16, Section 16 of the State Constitution. The California Supreme Court agreed to hear the case on an expedited basis, and the Court issued a "stay" that effectively froze all redevelopment related activity in August 2011. The City had already taken the necessary actions to "opt in." The Supreme Court is expected to issue its opinion in early January 2012.

The prudent budgeting and reserve policies developed since the last two recessions in the early part of the 1990s and the 2000s have enabled the City to manage through recent economic downturns. However, pressure is being placed on these reserves by the growing economic problems facing the entire country. Aggressive cost management, continued retail development, and fee increases along with the prudent use of fund balance and reserves can mitigate the impact of reduced revenues and cushion the effects on departmental budgets and services, but additional actions may be needed to keep the budget in balance. Management continues to monitor the budget closely, and to report regularly to the City Council.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Fremont's finances for all those with an interest in the City's financial activities. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Director, Harriet Commons, at 3300 Capital Avenue, P. O. Box 5006, Fremont, California 94537-5006.

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Government-Wide Financial Statements

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City of Fremont
Statement of Net Assets
June 30, 2011
(With comparative totals for June 30, 2010)

	Governmental Activities	
ASSETS	2011	2010
Current assets:		
Cash and investments held by City	$ 258,301,670	$ 264,469,139
Restricted cash and investments held by fiscal agent or City	19,870,857	7,455,011
Receivables:		
Property tax	798,841	678,923
Sales tax	3,952,883	4,129,439
Due from other governmental agencies	7,560,089	8,000,253
Accrued interest	974,540	1,398,529
Other	3,990,148	4,792,736
Total receivables	17,276,501	18,999,880
Prepaids	4,279,061	3,764,808
Total current assets	299,728,089	294,688,838
Noncurrent assets:		
Housing loans receivable	5,053,437	5,045,850
Condemnation deposits	1,324,485	812,150
Deferred charges	1,715,538	1,588,509
Land for sale	2,821,430	2,821,430
Capital assets:		
Nondepreciable assets	697,854,238	689,066,764
Depreciable assets, net	183,813,539	179,213,471
Total capital assets, net	881,667,777	868,280,235
Total noncurrent assets	892,582,667	878,548,174
Total assets	1,192,310,756	1,173,237,012
LIABILITIES		
Current liabilities:		
Accounts payable	6,680,323	9,249,673
Salaries and wages payable	6,693,672	5,191,049
Compensated absences	2,284,823	2,198,268
Claims payable	4,646,000	5,007,000
Due to other governmental agencies	14,109,883	13,065,957
Interest payable	1,751,625	2,008,027
Unearned revenue	3,293,691	3,149,579
Other liabilities	-	8,890
Long-term debt - due within one year	4,890,000	5,935,000
Total current liabilities	44,350,017	45,813,443
Noncurrent liabilities:		
Compensated absences	6,854,467	6,594,805
Claims payable	9,060,000	8,581,000
Pollution remediation obligation	1,066,889	2,425,000
Net other post employment benefits liability	10,660,000	6,957,000
Long-term debt - due in more than one year	192,609,979	182,718,009
Total noncurrent liabilities	220,251,335	207,275,814
Total liabilities	264,601,352	253,089,257
NET ASSETS		
Invested in capital assets, net of related debt	685,667,798	682,627,226
Restricted for:		
Social service programs	7,469,582	6,430,993
Debt service	7,131,399	6,680,521
Public safety	13,983,749	7,043,810
Street improvements	24,281,177	29,281,173
Community development	150,679,249	140,519,065
Recreation programs	4,265,262	3,986,842
Other purposes	488,071	774,382
Total restricted	208,298,489	194,716,786
Unrestricted	33,743,117	42,803,743
Total net assets	$ 927,709,404	$ 920,147,755

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total
Primary government:					
Governmental activities:					
General government	$ 11,971,463	$ 1,000,218	$ -	$ -	$ 1,000,218
Police services	54,925,765	4,200,213	971,348	-	5,171,561
Fire services	34,482,857	2,819,447	733,598	-	3,553,045
Human services	8,908,446	1,563,341	4,222,048	-	5,785,389
Capital assets maintenance and operations	42,075,801	2,901,266	11,167,609	702,431	14,771,306
Recreation and leisure services	6,731,068	5,540,566	-	-	5,540,566
Community development and environmental services	45,447,180	12,755,944	3,783,042	-	16,538,986
Interest on debt	6,373,866	-	-	-	-
Total	$ 210,916,446	$ 30,780,995	$ 20,877,645	$ 702,431	$ 52,361,071

General revenues:

Property tax

Sales tax

Business tax

Transient occupancy tax

Property transfer tax

Total taxes

Vehicle in-lieu license fees

Development impact fees

Franchise fees

Investment earnings

Miscellaneous

Total general revenues

Extraordinary item:

Pollution remediation obligation

Change in net assets

Prior period adjustment

Net assets - beginning of year

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets	
Governmental Activities	
2011	2010
$ (10,971,245)	$ (10,513,897)
(49,754,204)	(49,437,625)
(30,929,812)	(30,348,258)
(3,123,057)	(3,647,472)
(27,304,495)	(21,783,187)
(1,190,502)	(1,387,194)
(28,908,194)	(34,525,745)
(6,373,866)	(4,284,166)
(158,555,375)	(155,927,544)
100,080,165	102,848,091
30,089,204	26,769,511
6,820,327	7,106,402
3,475,913	2,866,987
1,031,249	975,982
141,496,858	140,566,973
991,459	634,305
6,790,105	6,976,919
8,215,061	7,928,716
4,296,980	6,358,774
4,326,561	8,393,566
166,117,024	170,859,253
-	475,000
7,561,649	15,406,709
-	(9,999,722)
920,147,755	914,740,768
$ 927,709,404	$ 920,147,755

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Governmental Funds Financial Statements

City of Fremont
Balance Sheet
Governmental Funds
June 30, 2011
(With comparative totals for June 30, 2010)

	Major Funds			
	General Fund	Redevelopment Agency Operations	Low and Moderate Income Housing	Redevelopment Agency Debt Service
ASSETS				
Cash and investments held by City	$ 24,439,219	$ 18,720,818	$ 16,855,412	$ 8,265,743
Restricted cash and investments held by fiscal agent or City	-	-	440,317	
Receivables:				
Property tax	775,302	-	-	-
Sales tax	3,952,883	-	-	-
Due from other governmental agencies	940,195	13,771	-	-
Housing loans receivable, net	571,725	-	3,000,000	-
Accrued interest	974,525	-	-	-
Other	1,857,746	-	30,796	-
Due from other funds	2,236,463	-	-	-
Other prepaid assets	10,827	-	-	-
Total assets	$ 35,758,885	$ 18,734,589	$ 20,326,525	$ 8,265,743
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,583,905	$ 49,490	$ 446,828	$ -
Salaries and wages payable	5,374,037	46,567	19,879	-
Due to other funds	-	-	-	-
Due to other governmental agencies	-	11,893,675	-	-
Other liabilities	-	-	-	-
Deferred revenue	739,339	-	1,500,000	-
Total liabilities	7,697,281	11,989,732	1,966,707	-
Fund Balances:				
Nonspendable:				
Long term loan receivable	571,725	-	-	-
Prepaid assets	10,827	-	-	-
Restricted for:				
Social service programs	-	-	-	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Street improvements	-	-	-	-
Community development	-	6,744,857	18,359,818	8,265,743
Recreation programs	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Vehicle replacement	-	-	-	-
Social service programs	-	-	-	-
Other capital projects	-	-	-	-
Program investment reserve	3,660,235	-	-	-
Assigned for:				
Other purposes	962,406	-	-	-
Unassigned	22,856,411	-	-	-
Total fund balances	28,061,604	6,744,857	18,359,818	8,265,743
Total liabilities and fund balances	$ 35,758,885	$ 18,734,589	$ 20,326,525	$ 8,265,743

See accompanying Notes to Basic Financial Statements.

Major Funds					Total Governmental Funds	
Redevelopment Agency Capital Projects	Development Impact Fees	Development Cost Center	Recreation Services	Non-major Funds	2011	2010
$ 46,485,637	$ 59,711,899	$ 6,021,125	$ 5,455,697	$ 54,499,024	$ 240,454,574	$ 248,402,739
-	-	-	8,685	19,421,855	19,870,857	7,455,011
-	-	-	-	23,539	798,841	678,923
-	-	-	-	-	3,952,883	4,129,439
	-	-	-	6,606,123	7,560,089	8,000,253
-	-	-	-	1,481,712	5,053,437	5,045,850
-	-	-	-	15	974,540	12,676,582
169,530	-	331,403	-	1,443,404	3,832,879	4,605,529
-	-	-	-	-	2,236,463	3,874,118
3,008,420	-	-	-	1,259,814	4,279,061	3,764,808
$ 49,663,587	$ 59,711,899	$ 6,352,528	$ 5,464,382	$ 84,735,486	$ 289,013,624	$ 298,633,252
$ 1,146,273	$ 433,025	$ 69,736	$ 121,410	$ 2,607,520	$ 6,458,187	$ 9,128,141
-	-	569,991	250,598	298,063	6,559,135	5,078,452
-	-	-	-	2,236,463	2,236,463	3,874,118
2,216,208	-	-	-	-	14,109,883	13,065,957
-	-	-	-	-	-	8,890
50,000	-	2,182,157	827,112	1,534,923	6,833,531	19,450,237
3,412,481	433,025	2,821,884	1,199,120	6,676,969	36,197,199	50,605,795
-	-	-	-	-	571,725	580,699
-	-	-	-	1,259,814	1,270,641	3,775,143
-	-	-	-	7,469,582	7,469,582	6,430,993
-	-	-	-	7,167,486	7,167,486	7,100,039
-	-	-	-	13,983,749	13,983,749	7,043,810
-	-	-	-	23,021,363	23,021,363	25,516,365
46,251,106	59,278,874	3,530,644	-	5,950,771	148,381,813	141,502,159
-	-	-	4,265,262	-	4,265,262	3,986,842
-	-	-	-	488,071	488,071	774,382
-	-	-	-	4,240,492	4,240,492	4,578,109
-	-	-	-	1,029,337	1,029,337	184,559
-	-	-	-	13,447,852	13,447,852	18,244,729
-	-	-	-	-	3,660,235	3,660,235
-	-	-	-	-	962,406	684,851
-	-	-	-	-	22,856,411	23,964,542
46,251,106	59,278,874	3,530,644	4,265,262	78,058,517	252,816,425	248,027,457
$ 49,663,587	$ 59,711,899	$ 6,352,528	$ 5,464,382	$ 84,735,486	$ 289,013,624	$ 298,633,252

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City of Fremont
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets
June 30, 2011
(With comparative totals for June 30, 2010)

		2011		2010
Total Fund Balances - Total Governmental Funds	$	252,816,425	$	248,027,457
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:				
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet, net of Internal Service Funds assets of $2,484,606.		879,183,171		865,634,662
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.		(1,751,625)		(2,008,027)
Deferred charges on bonds not recorded in the governmental funds, which were previously recorded as expenditures and amortized over the terms of the bonds.		1,715,538		1,588,509
Condemnation deposits reported as noncurrent assets, while reported as capital outlay in Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances.		1,324,485		812,150
Internal service funds are used to charge the costs of insurance and information technology to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets.		9,247,728		7,898,481
Housing loans are reported as deferred revenue in the Governmental Funds, but should be reflected as income in the Government-Wide Statement of Net Assets		571,725		580,699
Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.		2,968,115		4,441,906
Accruals for compensated absences are long term liabilities and are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(9,139,290)		(8,793,073)
Other Post Employment Benefits (OPEB) Liability on Government-Wide Statements, not in Governmental Funds		(10,660,000)		(6,957,000)
Pollution remediation obligations are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.		(1,066,889)		(2,425,000)
Long-term debts are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.		(197,499,979)		(188,653,009)
Net Assets of Governmental Activities	$	927,709,404	$	920,147,755

City of Fremont
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Major Funds			
	General Fund	Redevelopment Agency Operations	Low and Moderate Income Housing	Redevelopment Agency Debt Service
REVENUES:				
Property tax	$ 61,738,762	$ -	$ 7,015,829	$ 28,063,315
Sales tax	30,089,204	-	-	-
Vehicle license fees	991,459	-	-	-
Intergovernmental	142,362	-	-	-
Business tax	6,820,327	-	-	-
Other taxes	4,507,162	-	-	-
Impact fees	-	-	-	-
Franchise fees	8,215,061	-	-	-
Charges for services	8,266,409	-	-	
Investment earnings	699,534	34,631	252,190	145,000
Other	1,117,956	119,769	732,839	-
Total revenues	122,588,236	154,400	8,000,858	28,208,315
EXPENDITURES:				
Current:				
General government	11,626,724	-	-	-
Police services	52,488,719	-	-	-
Fire services	31,415,705	-	-	-
Human services	-	-	-	-
Capital assets maintenance and operations	18,294,596	-	-	-
Recreation services	-	-	-	-
Community development and environmental services	655,745	1,485,076	9,359,993	269,451
Intergovernmental	-	11,880,041	-	46,270
Capital outlay	382,790	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	1,181,929	-	45,000	-
Total expenditures	116,046,208	13,365,117	9,404,993	315,721
REVENUES OVER (UNDER) EXPENDITURES	6,542,028	(13,210,717)	(1,404,135)	27,892,594
OTHER FINANCING SOURCES (USES):				
Debt issuance	-	-	-	-
Payments to defease bonds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Transfers in	8,569,550	20,030,062	-	-
Transfers out	(15,950,636)	(183,956)	(74,645)	(20,000,000)
Total other financing sources (uses)	(7,381,086)	19,846,106	(74,645)	(20,000,000)
Net change in fund balances	(839,058)	6,635,389	(1,478,780)	7,892,594
FUND BALANCES:				
Beginning of year	28,900,662	109,468	19,838,598	373,149
End of year	$ 28,061,604	$ 6,744,857	$ 18,359,818	$ 8,265,743

See accompanying Notes to Basic Financial Statements.

Major Funds					Total Governmental Funds	
Redevelopment Agency Capital Projects	Development Impact Fees	Development Cost Center	Recreation Services	Non-major Funds	2011	2010
$ -	$ -	$ -	$ -	$ 3,262,259	$ 100,080,165	$ 102,848,091
-	-	-	-	-	30,089,204	26,769,511
-	-	-	-	-	991,459	634,305
-	-	-	-	21,199,948	21,342,310	30,710,452
-	-	-	-	-	6,820,327	7,106,402
-	-	-	-	-	4,507,162	3,842,969
-	6,790,105	-	-	-	6,790,105	6,976,919
-	-	-	-	-	8,215,061	7,928,716
-	-	7,748,389	5,533,252	9,215,710	30,763,760	31,553,854
953,256	902,627	113,268	72,733	889,366	4,062,605	7,325,832
-	-	-	77,772	2,211,122	4,259,458	8,326,595
953,256	7,692,732	7,861,657	5,683,757	36,778,405	217,921,616	234,023,646
-	-	-	-	-	11,626,724	11,126,970
-	-	-	-	949,363	53,438,082	53,798,999
-	-	-	-	672,770	32,088,475	31,471,578
-	-	-	-	8,937,090	8,937,090	8,929,839
-	2,520,592	-	-	16,925,898	37,741,086	40,386,402
-	-	-	6,509,957	-	6,509,957	6,720,593
1,450,827	-	8,122,209	-	9,422,427	30,765,728	28,393,990
4,477,902		-	-	-	16,404,213	26,182,316
4,125,168	5,003,313	-	-	14,847,649	24,358,920	41,936,766
-	-	-	-	4,680,000	4,680,000	8,130,000
-	-	-	-	5,503,398	6,730,327	7,021,913
10,053,897	7,523,905	8,122,209	6,509,957	61,938,595	233,280,602	264,099,366
(9,100,641)	168,827	(260,552)	(826,200)	(25,160,190)	(15,358,986)	(30,075,720)
-	-	-	-	15,000,000	15,000,000	-
-	-	-	-	-	-	(22,085,000)
4,372,117	-	-	-	-	4,372,117	-
-	1,980,000	2,117,400	2,160,769	13,187,459	48,045,240	51,893,739
(1,980,000)	(950,000)	(2,020,468)	(1,056,150)	(5,053,548)	(47,269,403)	(51,187,268)
2,392,117	1,030,000	96,932	1,104,619	23,133,911	20,147,954	(21,378,529)
(6,708,524)	1,198,827	(163,620)	278,419	(2,026,279)	4,788,968	(51,454,249)
52,959,630	58,080,047	3,694,264	3,986,843	80,084,796	248,027,457	299,481,706
$ 46,251,106	$ 59,278,874	$ 3,530,644	$ 4,265,262	$ 78,058,517	$ 252,816,425	$ 248,027,457

City of Fremont

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	2011	2010
Net Change in Fund Balances - Total Governmental Funds	$ 4,788,968	$ (51,454,249)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets additions recorded in the current period.	19,986,803	41,124,616
Condemnation deposit increase/decrease due to land acquired and legal expenses paid during the year.	512,335	797,150
Contributions of infrastructure assets from developers not reported as revenue in governmental funds.	237,766	526,162
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation, net of $272,127 from the Internal Service Funds is not reported as an expenditure in governmental funds.	(6,417,111)	(6,790,138)
Losses on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but do not require the use of current financial resources. Therefore, it is not reported as an expenditure in governmental funds.	(258,949)	(110,128)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets.	(15,000,000)	-
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	6,180,000	30,215,000
Revenues that do not meet the criteria for accrual are recorded as deferred revenues in the Fund Financial Statements. In the Government-Wide Financial Statements, these amounts are recorded as revenues.	(1,482,765)	731,950
The net change in interest payable on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources.	256,402	2,321,997
Unamortized long term discount/premium is accrued in Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, unamortized long term discount/premium is not reported as an expenditure in governmental funds.	(26,970)	481,618
Prepaid bond issuance costs are amortized in Government-Wide Statement of Activities and Changes in Net Assets, but are reported as expenditures in governmental funds.	127,029	(65,868)
Internal service funds are used to charge the costs of insurance and information technology, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	1,349,247	1,039,888
Accrual of OPEB liability on the Government-Wide Statement of Activities and Changes in Net Assest under full accrual	(3,703,000)	(3,569,239)
Pollution remediation obligations are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	1,358,111	475,000
Changes in long term compensated absences in governmental activities are not reported in governmental funds	(346,217)	(317,050)
Change in Net Assets of Governmental Activities	$ 7,561,649	$ 15,406,709

Proprietary Fund Financial Statements

City of Fremont
Statement of Net Assets
Proprietary Fund
June 30, 2011
(With comparative totals for June 30, 2010)

	Internal Service	
	2011	2010
ASSETS		
Current assets:		
Cash and investments held by City	$ 17,847,096	$ 16,066,400
Other receivables	157,269	187,207
Total current assets	18,004,365	16,253,607
Noncurrent assets:		
Depreciable assets	8,985,907	8,921,774
Less accumulated depreciation	(6,501,301)	(6,276,201)
Land held for resale	2,821,430	2,821,430
Total noncurrent assets	5,306,036	5,467,003
Total assets	23,310,401	21,720,610
LIABILITIES		
Current liabilities:		
Accounts payable	222,136	121,532
Salaries and wages payable	134,537	112,597
Claims payable	4,646,000	5,007,000
Total current liabilities	5,002,673	5,241,129
Noncurrent liabilities:		
Claims payable	9,060,000	8,581,000
Total noncurrent liabilities	9,060,000	8,581,000
Total liabilities	14,062,673	13,822,129
NET ASSETS		
Invested in capital assets	2,484,606	2,645,573
Unrestricted	6,763,122	5,252,908
Total net assets	$ 9,247,728	$ 7,898,481

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Internal Service	
	2011	2010
OPERATING REVENUES:		
Charges for services	$ 13,030,445	$ 12,631,878
Other	67,103	66,971
Total operating revenues	13,097,548	12,698,849
OPERATING EXPENSES:		
Salaries and wages	2,975,421	3,116,648
Insurance premiums	840,153	809,851
Provision for claim losses	5,550,373	5,492,170
Claims administration	288,082	250,868
Materials and supplies	1,235,662	1,263,431
Depreciation	256,272	272,127
Other	60,876	58,668
Total operating expenses	11,206,839	11,263,763
OPERATING INCOME	1,890,709	1,435,086
NONOPERATING REVENUES:		
Investment income	234,375	311,273
Total nonoperating revenues	234,375	311,273
Transfers in	38,109	77,607
Transfers out	(813,946)	(784,078)
INCREASE IN NET ASSETS	1,349,247	1,039,888
NET ASSETS:		
Beginning of year	7,898,481	6,858,593
End of year	$ 9,247,728	$ 7,898,481

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Internal Service	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from users	$ 13,060,383	$ 12,597,725
Other revenue	67,103	66,971
Less: Payments to suppliers	(2,263,293)	(2,797,873)
Payments for employees services	(2,953,481)	(3,132,246)
Payments for claims paid	(5,432,373)	(3,902,170)
Payments to others	(60,875)	(58,668)
Net cash provided by operating activities	2,417,464	2,773,739
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash and investments	234,375	311,273
Net cash provided by investing activities	234,375	311,273
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Acquisition of capital assets	(95,306)	(164,657)
Net cash provided (used) by capital activities	(95,306)	(356,247)
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:		
Transfers in	38,109	77,607
Transfers out	(813,946)	(784,078)
Net cash (used) by noncapital activities	(775,837)	(706,471)
Net increase in cash and cash investments	1,780,696	2,213,884
CASH AND INVESTMENTS:		
Beginning of year	16,066,400	13,852,516
End of year	$ 17,847,096	$ 16,066,400
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 1,890,709	$ 1,435,086
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	256,272	272,127
Changes in assets and liabilities:		
Other receivables	29,938	(34,153)
Accounts payable	100,605	(473,723)
Salaries and wages payable	21,940	(15,598)
Claims payable	118,000	1,590,000
Net cash provided by operating activities	$ 2,417,464	$ 2,773,739

See accompanying Notes to Basic Financial Statements.

Fiduciary Funds Financial Statements

City of Fremont
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(With comparative totals for June 30, 2010)

	Total	
	2011	2010
All Agency Funds		
Assets:		
Cash and investments held by City	$ 11,395,134	$ 14,403,877
Restricted cash and investments held by fiscal agent	7,190,260	8,357,971
Accounts receivable	23,390	636,922
Other receivables	4,460	59,982
Total assets	$ 18,613,244	$ 23,458,752
Liabilities:		
Accounts payable	$ 508,935	$ 1,083,627
Cash overdraft	1,657	47,953
Deposits	18,102,652	22,327,172
Total liabilities	$ 18,613,244	$ 23,458,752

See accompanying Notes to Basic Financial Statements.

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Fremont, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City was incorporated in January 1956. The City has a council-manager form of government and provides a wide range of municipal services. These basic financial statements present the City and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following is a brief overview of the component units included in the accompanying basic financial statements of the City. Financial information for these component units can be obtained from the City's Finance Department.

> *Redevelopment Agency of the City of Fremont (Agency)* – A separate governmental entity established for the purpose of redeveloping certain areas of the City through development of industrial parks, commercial areas, and new residential housing. Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds and advances from the City. Separate financial statements for the Agency are available from the City's Finance Department.

> *Fremont Public Financing Authority (Financing Authority)* – A joint powers authority formed by the City and the Agency, organized for the purpose of financing certain capital projects for the City or the Agency. Separate financial statements are not issued for the Financing Authority.

> *Fremont Social Services JPA (Social Services JPA)* – A joint powers authority formed by the City and the Agency, organized for the purpose of facilitating the activities of the Family Resource Center. In 1998, the Social Services JPA entered into a 40-year lease with the City for the two buildings that house the Family Resource Center. The Social Services JPA has committed to subleasing this space to CDBG-eligible tenants at below-market rents over the 40-year lease term. Rents collected from CDBG-eligible tenants are used to make payments on the debt service obligations incurred in connection with the purchase of the buildings. Separate financial statements are not issued for the Social Services JPA.

The City Council serves in separate session as the governing body of the Agency, the Financing Authority, and the Social Services JPA. As a result, the financial activities of these entities are integrally related to those of the City and are "blended" with those of the City.

Other governmental agencies that provide services within the City include the following:

- Ohlone Community College District
- Fremont Unified School District
- Alameda County Flood Control & Water Conservation District
- Union Sanitary District
- Alameda County Water District
- East Bay Regional Park District
- Washington Township Hospital District and related organizations
- Alameda-Contra Costa Transit District
- Bay Area Rapid Transit District
- State of California
- County of Alameda

Financial information for the organizations listed above is not included in the accompanying basic financial statements because they have independently elected governing boards, their operations are separate from those of the City, and they are not financially dependent on the City.

Governmental Activities

The City reports the following governmental activities:

General Government – These services are those that are associated with the general administration of the government. These services are primarily provided by the following offices/departments: City Council, City Manager, City Attorney, City Clerk, Finance, and Human Resources. These offices provide services that support external as well other internal government functions of the City.

Police Services – The Police Department is responsible for the safeguarding of citizens' lives and property, the preservation of constitutional rights, and neighborhood problem solving. These services also include the animal shelter and jail bookings.

Fire Services – The Fire Department is responsible for providing fire and life safety emergency services, including emergency response, paramedic services, public education, emergency-preparedness training and hazardous materials management services.

Human Services – The Human Services Department offers a range of services to the community, including a senior center, paratransit services, counseling, and support for seniors, families and youth.

Capital Asset Maintenance and Operations – These services include maintenance of the City's capital assets and infrastructure, such as public buildings, parks, streets and vehicles.

Recreation Services – Services provided by the Community Services Department include performing and visual arts, youth and adult sports, youth and early childhood enrichment programs, park visitor services, and management of the community centers, special facilities, and historic sites.

Community Development and Environmental Services – These services are provided by the Community Development Department and the Environmental Services Division of the Community Services Department and include community planning, engineering, code enforcement, building permit and inspection services, and environmental services that enhance and preserve a high quality living environment within the City.

Intergovernmental - In accordance with pass-through fiscal agreements with various taxing authorities, the Redevelopment Agency must claim 100% of its property tax increment for the redevelopment project areas and pass through contractually or statutorily determined amounts to other taxing authorities.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government–Wide Financial Statements

The City's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the City. Fiduciary activities of the City are not included in these statements.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal service fund balances in the Statement of Net Assets have been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect), as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

Governmental Fund Financial Statements

Governmental Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. Accompanying schedules are presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that meet the criteria prescribed in GASB Statement No. 34.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The City reports the following major governmental funds:

> *General Fund* – This fund is the City's primary operating fund. It accounts for all financial resources and outlays of the general government. The fund receives the City's discretionary funding sources (e.g., property tax, sales tax, charges for services, etc.) and uses its resources for the general operations of the City (e.g., police, fire, general government) not accounted for in other funds.
>
> *Redevelopment Agency Operations* – This is the Redevelopment Agency's operating fund and is funded with transfers from the Debt Service Fund. This fund records the administrative expenditures required to support the Agency's capital projects and includes pass-through payments to other taxing entities and tax increment revenue shifted to the State's Educational Revenue Augmentation Fund.
>
> *Low and Moderate Income Housing* – This fund receives 20% of the Redevelopment Agency's tax increment revenue as a set aside for affordable housing developments.
>
> *Redevelopment Agency Debt Service Fund* – This fund receives 80% of tax increment revenue to support the Agency's non-housing redevelopment projects. Revenues are used to pay annual principal and interest charges on the Agency's tax allocation bonds, and may also be transferred to the Agency's Operations Fund or Capital Projects Fund, as needed.
>
> *Redevelopment Agency Capital Projects* – This fund includes the remaining proceeds of the tax allocation bonds and tax increment revenues that are designated for the Agency's non-housing projects. Expenditures are shown in the community development and capital outlay categories.
>
> *Development Impact Fees* – This fund accounts for impact fees levied under California Government Code Sections 66000 et seq., "Fees for Development Projects" (commonly referred to as AB1600) and Section 66477 (commonly referred to as the Quimby Act). The City assesses fees for fire, capital facilities, traffic, park dedication in lieu, and park facilities. These fees are used to defray all or a portion of the cost of additional public facilities needed to provide service to new development.

Development Cost Center – This fund accounts for user fees and costs of services related to planning, engineering and inspection of public and private development construction projects.

Recreation Services – This fund accounts for all recreation programs and services, including Central Park and activities of the community centers. User fees are generated from the various classes and programs offered to the public. All costs of these programs are funded from these fees.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 90 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property tax, sales tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Fines, forfeitures, and licenses and permits are not susceptible to accrual because they are usually not measurable until received in cash. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures or when monies are received before the related services are performed. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences between the integrated approach of GASB Statement No. 34 and the traditional approach of fund accounting.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the economic resources measurement focus and the full accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the full accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following proprietary fund:

> *Internal Service* – These funds account for the Risk Management and Information Technology services provided to other City departments on a cost reimbursement basis.

Internal service fund balances and activities have been combined with governmental activities in the government-wide financial statements.

Fiduciary Funds Financial Statements

Fiduciary fund financial statements consist of a Statement of Net Assets. The City's fiduciary funds consist of agency funds, which are custodial in nature and do not involve measurement of results of operations. The agency funds use the accrual basis of accounting.

The City reports the following agency funds:

> *Local Improvement Districts* – This fund accounts for the special assessment bonds issued by local improvement districts or community facility districts under various public improvement acts of the State of California and secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. Property owners are assessed their proportionate share, and the City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders and initiating foreclosure proceedings when necessary.

> *Performance Bonds, Deposits and Confiscated Assets* – This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police, and other deposits held by the City as a fiduciary.

> *Tri-City Waste Facility Financing Authority* – This fund accounts for revenue bonds issued by the cities of Fremont, Newark and Union City for the closure of the Durham Road Landfill. The outstanding revenue bonds were paid in full in February 2010.

> *Southern Alameda County GIS* – This fund accounts for monies collected from participating agencies for the administration of the Geographic Information System (GIS) through a JPA. The City is the administrator of the GIS, which serves the participating agencies. The parties to the JPA are the City of Fremont, City of Newark, Union Sanitary District, and Alameda County Water District. The City of Union City was a member agency until it elected to withdraw, effective February 2011.

C. Cash and Investments

The City pools cash resources from all funds in order to facilitate and maximize the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other fixed income investments with varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an Amendment of GASB No. 3*, certain disclosures for deposits and investment risks are made in the following areas:

- » Interest Rate Risk
- » Credit Risk
    - Overall
    - Custodial Credit Risk
    - Concentration of Credit Risk

In addition, Note 2 provides information about the City's deposits and investments, highly (interest) sensitive investments, and the credit quality of the investments held at year-end.

Investments are presented at fair value except as noted below. The fair value of participants' positions in the external investment pool are the same as the value of the investment pools' shares and investment income, which includes changes in fair value (i.e., realized and unrealized gains or losses). Money market funds (such as short–term, highly liquid debt instruments including bankers' acceptances and securities (notes, bills, and bonds of the U.S. government and its agencies), and participating interest-earnings investment contracts (such as negotiable certificates of deposit, certificates of deposit, and repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost which approximates market value. Interest earned on investments is allocated to all funds on the basis of daily cash and investment balances.

The City participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. These structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Cash and cash equivalents are considered to be cash on hand, amounts in demand deposits and short-term investments with original maturities of three months or less from the date acquired by the City.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by a fiscal agent or the City for the redemption of bonded debt and for acquisition and construction of certain capital projects.

E. Interfund Transactions

During the normal course of operations, the City has numerous transactions among funds. The significant interfund transactions that occurred during the year can be classified into two types:

> *Transfers* – Transactions to allocate the occurrence of specific expenditures within the receiving fund. These transactions are recorded as transfers in and out in the year in which they are approved.

Loans Between Funds – Transactions to loan resources from one fund to another. The interfund loans will be paid back when permanent financing is obtained or definitive funding sources become available. Short-term loans are recorded as "due from other funds" in the disbursing fund and "due to other funds" in the receiving fund.

F. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting infrastructure capital assets at $25,000 and for all other capital assets at $5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets, as follows:

Buildings	50 years
Building Improvements	20 years
Machinery and Equipment	5 - 25 years
Infrastructure	15 - 100 years
Vehicles	5 - 27 years

The City defines infrastructure as the basic physical assets that allow the City to function. These assets include the street system, park and recreation lands and improvements system, storm water collection system, and site amenities associated with buildings, such as parking and landscaped areas, used by the City in the conduct of its business.

The City uses the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting of its streets, concrete and asphalt pavements. For all other infrastructure systems, the City uses the basic approach, as defined by GASB Statement No. 34.

The City commissioned an appraisal of City-owned infrastructure and property as of December 31, 2001, and has completed internal updates for June 30, 2011. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight-line cost method, was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

G. Claims Payable

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes incurred but not reported (IBNR) claims. There is no fixed payment schedule to pay any of these liabilities.

H. Compensated Absences

In accordance with negotiated labor agreements, employees accumulate earned but unused vacation and other compensated leave, and sick pay benefits. There is no liability for unpaid accumulated sick leave because the City does not pay any amounts when employees separate from service with the City. All vacation and other compensated leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if it is expected to be settled with current financial resources.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental-type funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Net Assets and Fund Balances

Government-Wide Financial Statements

In the government-wide financial statements, net assets are reported in one of three categories:

> *Invested in Capital Assets, Net of Related Debt* groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.
>
> *Restricted Net Assets* reflects net assets that are subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor.
>
> *Unrestricted Net Assets* represents net assets of the City that are not restricted for any project or purpose.

Fund Financial Statements

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balances for government funds are reported in the following categories:

> *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories, prepaid amounts, and long-term notes receivable.
>
> *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
>
> *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally.
>
> *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by City Council or an official to which the City Council has delegated the authority (generally, to the City Manager) to assign amounts to be used for specific purposes.
>
> *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

K. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

With respect to fund balance, the City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Additionally, the City considers committed amounts to have been spent first, assigned amounts to have been spent second, and unassigned amounts to have been spent last when an expenditure is incurred for purposes for which committed, assigned, and unassigned fund balance is available.

L. Minimum Fund Balance Policies

Budget policies adopted by the City Council and incorporated into the annual operating budget require the City to maintain the following three General Fund reserves: the Contingency Reserve, the Program Investment Reserve, and the Budget Uncertainty Reserve.

- *Contingency Reserve* – Contingency Reserve funds help mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events. The Contingency Reserve also serves as back-up liquidity to the Risk Management Fund if the need arises. The Contingency Reserve is funded at a level at least equal to 10% of annual operating expenditures and transfers out. All uses of the Contingency Reserve must be approved by City Council. Any such uses are to be repaid to the Contingency Reserve over a period of no more than three years. This reserve balance is reported as unassigned fund balance in the General Fund because it does not meet the requirements of a “stabilization arrangement” as defined in GASB Statement No. 54.

- *Program Investment Reserve* – The Program Investment Reserve provides a source of working capital for the following: a) new programs or undertakings that have potential for receiving significant funding from outside sources, and b) organization retooling, process improvement, and strategic entrepreneurial opportunities. The Program Investment Reserve is funded at a level equal to 2.5% of annual operating expenditures and transfers out. All uses of the Program Investment Reserve must be approved by the City Council. Any such uses are to be repaid to the Program Investment Reserve over a period to be determined by City Council at the time of usage approval, with a target repayment period of no more than three years. This reserve balance is reported as committed fund balance in the General Fund.

- *Budget Uncertainty Reserve* – The Budget Uncertainty Reserve is intended to offset quantifiable uncertainty in the multi-year forecast. The long-term funding level for this reserve is determined by measuring the level of financial risk associated with the following three areas of uncertainty:

  » **Revenue risks**: Revenues falling short of budget projections causing budget shortfalls.

  » **State budget risks**: Possibility of State implemented budget solutions that legislatively reallocate intergovernmental revenues from local jurisdictions to the State (in the absence of guarantees or constitutional protection of these revenues).

  » **Uncontrollable costs**: The City requires a source of supplemental funding for things like further increases in CalPERS retirement rates resulting from CalPERS investment performance falling short of actuarial assumptions; and other cost increases beyond City control (e.g., various fuel and utility charges).

  All uses of this reserve must be approved by the City Council. If the risk factors described above are eliminated as a result of new revenue sources, legislation, or major changes in economic conditions, the basis for the reserve will be reviewed and the funding level may be adjusted accordingly. In the event the reserve has accumulated funding beyond the established level reasonably required to offset the risks above, excess funds will be assigned for capital projects, budgeted for service enhancement, or returned to the General Fund available fund balance. This reserve is reported as unassigned fund balance in the General Fund because it does not meet the requirements of a “stabilization arrangement” as defined in GASB Statement No. 54.

M. Property Tax

Under California law, property taxes are assessed and collected by the counties at a rate of up to 1% of assessed value, plus other increases approved by the voters. Property taxes go into a pool and are then allocated to cities based on complex formulas. Property taxes are collected by the Auditor-Controller of the County of Alameda (County) and are remitted upon collection to the various taxing entities, including the City and the Agency. Accordingly, the City and the Agency accrue only those taxes that are received from the County within sixty days after year-end.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Unsecured property comprises all taxable property not attached to land, such as personal property or business property. Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer.

Valuation of secured property and establishment of a statutory tax lien occur as of January 1 prior to the tax year (the tax year is the July 1 – June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 31 of the tax year by the County Assessor.

Lien Date (Secured)	January 1
Levy Date	January 1
Secured Taxes – Due Date	November 1 and February 1
Secured Taxes – Delinquency Date	December 10 and April 10
Unsecured Taxes – Due Date	July 1
Unsecured Taxes – Delinquency Date	August 31

Neither the City nor the Agency has the ability to control the levy rate or the amount of property taxes remitted by the County because these are governed by State law.

N. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenses. Actual results could differ from these estimates and assumptions.

O. Comparative Data

Comparative total data for the prior year have been presented in order to provide an understanding of the changes in the financial position and operations of the City.

P. Implementation of New GASB Pronouncements

The City has implemented the following new Governmental Accounting Standards Board pronouncement:

- Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* – The purpose of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the fund balance in the governmental funds.

2. CASH AND INVESTMENTS

The City maintains an internal cash and investment pool for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled, and are reported as cash with fiscal agents. Investment income earned on pooled cash and investments is allocated monthly to the various funds based on average daily cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related funds.

A. Authorized Investments

The City's investment policy is adopted annually by the City Council in accordance with California Government Code Section 53601, and has as its objectives the following (in order of priority):

- **Safety**: Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in the portfolio's composition.

- **Liquidity**: The portfolio shall remain sufficiently liquid to meet all operating requirements that can be reasonably anticipated. Liquidity refers to the ability to sell an investment at any given moment with a minimal chance of losing some portion of principal or interest.

- **Yield**: The portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Under provisions of the City's investment policy, the City may invest in the following types of investments:

- Bonds and notes issued by the City.
- U.S. Treasury bills, notes, bonds, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
- Registered state warrants or treasury notes or bonds issued by the State of California.
- Bonds, notes, warrants, or other evidence of debt issued by a local agency within the State of California with the highest credit rating (on the date of purchase) by two nationally recognized rating services.
- The Local Agency Investment Fund (LAIF) maintained by the State of California.
- Obligations issued by agencies or instrumentalities of the U.S. Government.
- Bankers' acceptances with a term not to exceed 180 days.
- Prime commercial paper with a term not to exceed 270 days and the highest rating issued by Moody's Investors Service or Standard & Poor's Corporation on the date of purchase.
- Negotiable certificates of deposit issued by federally chartered or state-chartered banks or associations or by a state-licensed branch of a foreign bank.
- Repurchase agreements that comply with statutory requirements, are documented by a written agreement, are fully collateralized by delivery to an independent third-party custodian or the counter party's bank's trust department or safekeeping department, and are for a term of one year or less.
- Medium-term notes with a maximum maturity of five years issued by corporations organized and operating in the United States.
- Shares of beneficial interest issued by diversified management companies investing in authorized securities and obligations (e.g., money market mutual funds).
- Insured or collateralized time deposits or savings accounts secured in accordance with the provisions of Sections 53651 and 53652 of the California Government Code.
- Any pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond with a maximum maturity of five years.
- Guaranteed investment agreements for funds that can be invested longer than five years with final maturity not to exceed ten years.
- Other investments that are permitted by bond indenture agreements.

A five-year maximum maturity for each investment is allowed unless an extension of maturity is granted by the City Council.

In accordance with Section 53651 of the California Government Code, the City cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent, at June 30, 2011.

	Government-Wide Statement of Net Assets	Fiduciary Funds	
	Governmental Activities	Statement of Net Assets	Totals
Investments	$ 261,047,868	$ 11,395,134	$ 272,443,002
Restricted investments held by city	2,358,680	-	2,358,680
Subtotal	263,406,548	11,395,134	274,801,682
Checking account balance and petty cash	(2,746,198)	-	(2,746,198)
Total held by the city	260,660,350	11,395,134	272,055,484
Restricted cash and investments held by fiscal agent	17,512,177	7,190,260	24,702,437
Totals	$ 278,172,527	$ 18,585,394	$ 296,757,921

B. *Deposits*

At June 30, 2011, the carrying amount of the City's time deposits was $4,058,459 and demand deposits was ($2,746,198). The difference between the bank balance of $4,771,681 and the carrying amount resulted from outstanding checks and deposits in transit. Of the time deposits and demand deposits, $1,550,000 was covered by federal depository insurance and $3,221,681 was collateralized with securities held by the counter party or its agent in accordance with Section 53652 of the California Government Code. The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's deposits, or by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits.

C. *Risk Disclosures*

In the government-wide funds, restricted cash and investments held by the City are related to general obligation bonds. Restricted cash and investments held by fiscal agent in the Fremont Public Financing Authority Debt Service Fund and in the Capital Improvement Fund are restricted for the payment of principal and interest on certificates of participation and capital project expenditures. In the fiduciary funds, restricted cash and investments relate to special assessment bonds.

Interest Rate Risk. At June 30, 2011, the City held no investments that are "highly sensitive to interest rate fluctuations" as defined by GASB 40. As a means of limiting exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2011, the City's pooled cash and investments had the following maturities:

Maturity	Percentage of Investment
Less than one year	68%
One to two years	10%
Two to three years	6%
Three to four years	6%
Four to five years	10%

The weighted-average life of the portfolio was 379 days, without regard to call features of many of the bonds held in the portfolio.

As of June 30, 2011, the City had the following investments and maturities:

		INVESTMENT MATURITIES				
Investment Type	**Fair Value**	**1 Year or Less**	**1-2 Years**	**2-3 Years**	**3-4 Years**	**4-5 Years**
U.S. Agencies	$ 49,079,558	$ 5,060,850	$ 15,924,422	$ 5,002,108	$ 4,014 285	$ 19,077,893
U.S. Treasuries	9,482,891	-	-	2,010,400	-	7,472,491
Medium Term Notes	47,948,633	14,805,059	10,822,115	8,606,440	11,732,369	1,982,650
Money Market Accounts	64,074,494	64,074,494	-	-	-	-
Pooled Accounts	100,157,647	100,157,647	-	-	-	-
Time Deposits	4,058,459	4,058,459	-	-	-	-
Total	$ 274,801,682	$ 188,156,509	$ 26,746,537	$ 15,618,948	$ 15,746,654	$ 28,533,034

Credit Risk. It is the City's policy that commercial paper have a credit rating of A1 by Standard & Poor's or P-1 by Moody's Investors Service. Corporate bonds and medium-term notes must have a rating of A or better. Mutual funds and federal agency securities must have the highest rating issued by the nationally recognized statistical rating organizations. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. The City's investments in federally sponsored agencies are rated AAA by Standard & Poor's and Moody's Investors Service. Medium term notes and corporate bonds are rated from A to AAA by Standard & Poor's and Moody's Investors Service. Money market funds are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Time and demand deposits over $250,000 are collateralized by the financial institution.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, 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. All securities, with the exception of the money market funds, time deposits, and LAIF, are held by a third-party custodian, Bank of New York Mellon (BNYM). BNYM is a registered member of the Federal Reserve Bank. The securities held by BNYM are in street name, and a customer number assigned to the City identifies ownership.

D. Fair Value Adjustment

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 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. The total amount of the fair value gain adjustment as of June 30, 2011 was $3,024,848. At June 30, 2010, the total fair value gain adjustment was $3,307,648. The change in value between the two periods amounted to an unrealized loss of $282,800 for fiscal year 2010/11.

E. External Investment Pool

The City invests in the California Local Agency Investment Fund (LAIF), a State of California external investment pool that is not rated. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

LAIF is part of the Pooled Money Investment Account (PMIA). PMIA oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. PMIB members are the State Treasurer, State Director of Finance, and State Controller. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members are qualified by training and experience in the field of investment or finance, and the State Treasurer appoints two members who are treasurers, finance or fiscal officers, or business managers employed by any county, city or local district or municipal corporation of this state. The City values its investments in LAIF at amortized cost, which approximates the fair value.

The City's investments with LAIF at June 30, 2011, include a portion of pool funds invested in structured notes and asset-backed securities. These investments may 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 have embedded forwards or options.
- Asset-Backed Securities entitle the 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 (e.g., CMOs), small business loans, or credit card receivables.

As of June 30, 2011, the City had $100,000,000 invested in LAIF, which had 5.01% of the pool investment funds in structured notes and asset-backed securities. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The fair value of LAIF was calculated by applying a factor of 1.001576470 to the total investments held by LAIF.

3. RECEIVABLES

As of June 30, 2011, the City had the following receivables:

A. Housing Loans Receivable

At June 30, 2011, the City was owed, in its Community Development Block Grant Fund, $1,465,151, for various housing assistance loans made by the City. The terms of repayment are for 20 years at 5% interest per annum. Because the notes do not meet the City's availability criteria for revenue recognition, the City has deferred the revenue related to these loans.

The Redevelopment Agency used HELP Program (Housing Enabled by Local Partnerships) funds as a loan fund for issuing construction loans to affordable housing developers. The Redevelopment Agency borrowed $3 million from the HELP Program and issued $3 million in loan proceeds to Allied Housing for the Main Street Village project. The term of the loan to the developer is 55 years with 3% simple interest per annum commencing on May 17, 2010, the date of the loan agreement.

The City has issued various other housing loans that are expected to be forgiven in future years. As a result, the City has recorded an allowance in anticipation of the amount to be forgiven for loans receivable in the same amount as the outstanding principal on those loans, resulting in a zero balance in the basic financial statements. Accrued interest on the loans is recorded as interest receivable with an offsetting allowance for uncollectible amounts because the City's revenue recognition criteria have not been met. The cumulative amount of these loans as of June 30, 2011 is $80,192,569, and the accumulated interest receivable is $12,801,000.

B. Housing Assistance Loan

In October 2005, the City made a housing assistance loan to a public safety department head to facilitate the acquisition of a residence in Fremont. The outstanding loan balance at June 30, 2011 was $571,725. Additional details of this loan agreement are described in Note 13.

C. Interest Receivable

Interest receivable at June 30, 2011 consists $974,540 related to investments held by the City in its pooled cash and investments.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, consists of the following:

	Balance June 30, 2010	Increase	Decrease	Transfers	Balance June 30, 2011
Nondepreciable Assets:					
Land	$ 212,988,266	$ 1,740,741	$ -	$ -	$ 214,729,007
Land improvements	5,260,249	-	-	188,222	5,448,471
Infrastructure	452,991,280	3,133,209	-		456,124,489
Construction in progress	17,826,969	7,130,080	-	(3,404,778)	21,552,271
Total nondepreciable assets	689,066,764	12,004,030	-	(3,216,556)	697,854,238
Depreciable Assets:					
Building and improvements	195,004,039	5,869,232	-	2,558,040	203,431,311
Equipment	20,573,185	418,710	(45,635)	658,516	21,604,776
Vehicles	28,431,450	1,790,136	(2,615,903)	-	27,605,683
Infrastructure	322,588,886	237,766	-	-	322,826,652
Total depreciable assets	566,597,560	8,315,844	(2,661,538)	3,216,556	575,468,422
Less Accumulated Depreciation For:					
Building and improvements	(44,724,255)	(3,696,296)	-	-	(48,420,551)
Equipment	(15,263,740)	(772,261)	45,635	-	(15,990,366)
Vehicles	(16,507,962)	(1,546,246)	2,356,954	-	(15,697,254)
Depreciable infrastructure	(310,888,132)	(658,580)	-	-	(311,546,712)
Total accumulated depreciation	(387,384,089)	(6,673,383)	2,402,589	-	(391,654,883)
Total depreciable assets, net	179,213,471	1,642,461	(258,949)	3,216,556	183,813,539
Total capital assets, net	$ 868,280,235	$ 13,646,491	$ (258,949)	$ -	$ 881,667,777

Depreciation expense was charged to functions and programs of the primary government, as follows:

Governmental Activities:	
General government	$ 408,232
Police services	763,786
Fire services	1,786,772
Human services	22,034
Capital assets maintenance and operations	3,409,483
Recreation services	211,824
Community development and environmental services	71,252
Total depreciation expense, governmental activities	$ 6,673,383

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting for its pavement system. As a result, no accumulated depreciation expense has been recorded for this system. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets, including other infrastructure systems, are reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

5. LONG-TERM DEBT

A summary of changes in governmental activities long-term debt and compensated absences for the year ended June 30, 2011, is as follows:

	Interest Rates	Amounts Outstanding June 30, 2010	Incurred or Issued	Satisfied or Matured	Amounts Outstanding June 30, 2011	Amounts Due Within One Year	Amounts Due in More than One Year
General Obligation Bonds							
Fire Safety Bond 2003	1.00-4.40%	$ 8,770,000	$ -	($ 240,000)	$ 8,530,000	$ 250,000	$ 8,280,000
Fire Safety Bond 2005	3.50-5.00%	24,490,000	-	(540,000)	23,950,000	570,000	23,380,000
Fire Safety Bond 2009	2.00-6.00%	16,000,000	-	(275,000)	15,725,000	290,000	15,435,000
Total general obligation bonds		**49,260,000**	**-**	**(1,055,000)**	**48,205,000**	**1,110,000**	**47,095,000**
Certificates of Participation							
1998 Public Financing Authority	Variable	9,965,000	-	(320,000)	9,645,000	340,000	9,305,000
1998 Public Financing Authority	3.80-4.75%	14,720,000	-	(640,000)	14,080,000	670,000	13,410,000
2001 Public Financing Authority	Variable	29,705,000	-	(875,000)	28,830,000	910,000	27,920,000
2001B Public Financing Authority	Variable	7,600,000	-	(420,000)	7,180,000	440,000	6,740,000
2008 Public Financing Authority	1.80-5.30%	27,275,000	-	(490,000)	26,785,000	505,000	26,280,000
2008 Public Financing Authority	Variable	47,840,000	-	(880,000)	46,960,000	915,000	46,045,000
2010 Public Financing Authority	Variable	-	15,000,000	-	15,000,000	-	15,000,000
Total certificates of participation		**137,105,000**	**15,000,000**	**(3,625,000)**	**148,480,000**	**3,780,000**	**144,700,000**
Total long-term debt		**186,365,000**	**15,000,000**	**(4,680,000)**	**196,685,000**	**4,890,000**	**191,795,000**
Unamortized long-term bond premium		(711,991)	-	26,970	(685,021)	-	(685,021)
Total long-term debt with unamortized bond premium		**185,653,009**	**15,000,000**	**(4,653,030)**	**195,999,979**	**4,890,000**	**191,109,979**
Low and Moderate Income Housing Fund HELP loan		3,000,000	-	(1,500,000)	1,500,000	-	1,500,000
Compensated absences		8,793,073	6,527,355	(6,181,138)	9,139,290	2,284,823	6,854,467
Total long-term debt with unamortized bond premium and compensated absences		**$197,446,082**	**$21,527,355**	**($12,334,168)**	**$206,639,269**	**$7,174,823**	**$199,464,446**

Amounts of long-term debt payable in the government-wide financial statements are generally payable from amounts available in related debt service funds and from annual property tax and certain other revenues collected for the purpose of retiring the respective debt obligations.

The annual principal and interest requirements of long-term debt are as follows:

Year Ending	General Obligation Bonds		Certificates of Participation	
June 30	Principal	Interest	Principal	Interest
2012	$ 1,110,000	$ 2,184,003	$ 3,780,000	$ 4,902,651
2013	1,165,000	2,137,768	3,960,000	4,776,032
2014	1,225,000	2,094,794	4,135,000	4,653,341
2015	1,290,000	2,054,694	4,765,000	4,512,117
2016	1,340,000	2,010,164	4,960,000	4,373,507
2017-2021	7,550,000	9,198,733	27,055,000	19,328,201
2022-2026	9,220,000	7,360,606	32,600,000	14,497,355
2027-2031	11,505,000	4,882,079	30,820,000	9,357,942
2032-2036	10,930,000	1,898,704	21,335,000	5,059,382
2037-2040	2,870,000	226,013	15,070,000	831,102
Total	$ 48,205,000	$ 34,047,558	$ 148,480,000	$ 72,291,630

The following assets have been pledged as collateral towards the related long-term debt issues:

COP	Secured Assets
1998 Public Financing Authority	Family Resource Center
1998 Public Financing Authority	Police Facility
2001 Public Financing Authority	Detention and property evidence storage facility Fire station #11 site (1.0 acre) vacant land State Street – 6.09 acres vacant land Capitol Avenue, Buildings A & B
2001B Public Financing Authority	Capitol Avenue, Buildings A & B Fire equipment
2008 Public Financing Authority	Maintenance C enter
2008 Public Financing Authority	Fire stations #8 and #9 Main library
2010 Public Financing Authority	Fire stations #2 and #6 Fire tactical training center

A. Special Assessment Debt (No City Commitment)

Special assessment bonds have been issued under various public improvement acts of the State of California and are secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. The City is not liable for repayment and acts only as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. These bonds are payable solely from assessments, specific reserves, and the proceeds from property foreclosures. As of June 30, 2011, special assessment and special tax bonded indebtedness (long-term and current portions) was approximately $5,670,000, which was not recognized in the accompanying basic financial statements.

B. Community Facilities District Special Tax Bonds (No City Commitment)

Special tax bonds were issued under the Mello-Roos Community Facilities Act of 1982. The proceeds of the 2001 bonds were utilized to finance the acquisition of specified public capital improvements for the development of the District, known as Pacific Commons. The District is a business park with commercial and industrial facilities. The property owners, with Catellus Development Corporation (now ProLogis) as the master developer and majority landowner, are obligated to pay the interest and principal on the 2001 bonds through an annual levy pursuant to the Rate and Method of Apportionment approved by the City Council and the qualified elector of the District. The 2001 bonds are not a general debt liability of the City and are solely payable from the annual facilities special tax levy and the reserve fund. As of June 30, 2011, the 2001 bond indebtedness was $28,970,000.

On June 26, 2005, the City Council approved the issuance of $38,000,000 of Community Facilities District 1, Special Tax, Series B (Pacific Commons) bonds. These bonds were issued on July 21, 2005. The net proceeds of the Series B bonds will be used to reimburse the developer for the costs of specified public improvements that have been or are to be built or otherwise conveyed to public agencies in conjunction with the development of Pacific Commons. As of June 30, 2011, the 2005 bond indebtedness was $38,000,000.

C. Housing Enabled by Local Partnerships Loan

The Redevelopment Agency had $3 million in HELP (Housing Enabled by Local Partnerships) program loans payable to the California Housing Finance Agency in the prior year consisting of two loans for $1.5 million each with 10-year terms bearing simple interest of 3% per annum. One loan was due and repaid on September 1, 2010. The second loan was received in November 2008 and is due in 2018. The Agency used the loan proceeds in turn to fund a loan to Allied Housing for the Main Street Village project. The terms of the loan to the developer are 55 years with 3% simple interest per annum commencing on May 17, 2010, the date of loan agreement.

D. Compensated Absences

The City records a liability to recognize the financial effect of unused vacation and other compensated leaves. The total of vacation and other compensated leaves is $9,139,290. The City typically uses the General Fund to liquidate the majority of its compensated absences.

6. POLLUTION REMEDIATION OBLIGATION

On July 18, 2002, the Redevelopment Agency entered into a service agreement for the performance of environmental, geophysical, engineering and geotechnical consulting services associated with the due diligence and remediation of potentially contaminated properties located within the Agency's redevelopment project areas. The majority of this work has been on the former Union Pacific Railroad property in Niles, which has been controlled by the Redevelopment Agency since January 2000, and owned since 2005, and is required to secure approval from the California Department of Toxic Substances Control – the State agency overseeing the environmental cleanup of the Union Pacific Railroad property. The estimated cost for the cleanup of the Niles Town Plaza portion (Phase II) of the Union Pacific Railroad property has been estimated at $2,000,000 as of June 30, 2010. This amount is a preliminary estimate and could increase or decrease as more information becomes available. During the current fiscal year, $1,357,756 in remediation costs was spent, leaving a remaining estimate of $642,244. It is not clear whether the Agency will recover any of these costs.

The Agency has acquired several acres of property for a redevelopment project commonly referred to as the "Centerville Unified Site." Prior to the Agency's acquisition of the property, a drycleaners operated on a portion of the property. At some point or points during its operations, the drycleaners apparently discharged drycleaning solvents into the sewer lines which have been detected as soil gas in the vicinity of the former drycleaners location. Although it did not cause the contamination, the Agency is authorized to remediate the contamination because it constitutes a form of blight under California's Community Redevelopment Law. Environmental consultants working for the Agency have submitted reports documenting the extent of the contamination and are currently preparing a corrective action plan. The corrective action plan is to be reviewed by the Alameda County Water District, the agency overseeing the cleanup. The costs of remediation are unknown as of June 30, 2011 and estimates cannot be made until more information becomes available. No litigation has been filed or threatened, but claims associated with the contamination could be asserted.

The City currently leases property from the Alameda County Water District (ACWD) for the police firing range. ACWD plans to use the land for other purposes when the City lease expires. Under the terms of the lease agreement, the City is obligated to remove the lead from the ACWD property at the termination of the lease. The lead cleanup is a residual item which still must be addressed to fulfill the City's lease obligations and is estimated to cost $425,000. During the current fiscal year, $355 in remediation costs have been expended on this project leaving a remaining estimate of $424,645. It is not clear at this point whether there will be any recoveries.

7. RISK MANAGEMENT

The City is exposed to various exposures related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the Risk Management Internal Service Fund to account for and finance its uninsured risks of loss. Under the City's risk management program, the City retains risk for up to $500,000 for each workers' compensation claim, $500,000 for each general liability claim, and $25,000 for each property claim. The liability for general liability claims and workers' compensation claims in excess of $500,000 is discussed below.

The City records estimated liabilities for claims filed or expected to be filed up to the amounts for which it retains risk in the Risk Management Internal Service Fund. Charges to the General Fund and other funds are based on a percentage of payroll costs for general liability and a three-year moving average cost of claims for workers' compensation. They are recorded in the funds as expenditures or expenses and revenues of the Risk Management Internal Service Fund.

The City retained an independent actuary in 2011 to perform an analysis of the City's potential liability for its retained risk portions of the general liability and workers' compensation programs. The amount recorded as a liability consists of the specific reserves (self-insured retention) for individual known claims or lawsuits and estimates for incurred but not reported claims. The present value of estimated outstanding losses is calculated using a 4.5% discount rate to reflect future investment earnings. There were no reductions in insurance coverage from the prior year and there were no insurance settlements that exceeded coverage in each of the past years.

Changes in the balances of claim liabilities (shown as claims payable in the accompanying basic financial statements) during the past three fiscal years ended June 30, 2009, 2010 and 2011 are as follows:

	2009	2010	2011
Balance, beginning of year	$ 10,358,000	$ 11,998,000	$ 13,588,000
Provision for claims losses	5,496,760	5,492,170	5,550,373
Claims payments	(3,856,760)	(3,902,170)	(5,432,373)
Balance, end of year	$ 11,998,000	$ 13,588,000	$ 13,706,000
Due in one year	$ 4,442,000	$ 5,007,000	$ 4,646,000
Due in more than one year	7,556,000	8,581,000	9,060,000
Total claim liabilities	$ 11,998,000	$ 13,588,000	$ 13,706,000

A. *Participation in Public Entity Risk Pools*

In February 1986, the City joined with other municipalities and regional municipal joint powers authorities to form the California Joint Powers Risk Management Authority (CJPRMA), a public entity risk pool currently operating as a general liability risk management and insurance program for 22 member entities. The purpose of the CJPRMA is to spread the adverse effects of losses among the member agencies. General liability claims in excess of $500,000 and up to $40,000,000 per occurrence are covered by the CJPRMA. Five years after settlement of all claims for a program year, CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves.

Summary financial information for CJPRMA for the year ended June 30, 2010 (latest available date), is as follows:

Cash and investments	$ 96,111,824
Premiums and fees receivable	821,050
Other assets	3,113,844
Total assets	$ 100,046,718
Total reserves, unearned premiums and other liabilities	$ 51,093,038
Net assets	48,953,680
Total liabilities and net assets	$ 100,046,718
Net premiums earned	$ 13,001,624
Loss provision and premiums paid	(13,620,407)
General and administrative expenses	(1,528,107)
Operating income (loss)	(2,146,890)
Net investment and other income	8,786,844
Net income	6,639,954
Refunds to members	(4,966,179)
Change in net assets	$ 1,673,775

The CJPRMA refunds excess contributions to members from time to time, based on the results of actuarial studies of each program year's claims experience. These refunds include cumulative earnings on program year contributions but may be reduced by amounts required to fund prior or subsequent year unfavorable claims experience.

The CJPRMA governing board consists of a representative from each member entity. All members have a single vote for policy and charter changes. An executive committee of seven is elected to handle administration. Complete financial statements for the CJPRMA can be obtained from CJPRMA, 3252 Constitution Drive, Livermore, CA 94551.

In July 1992, the City joined with other municipalities and special districts to form the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), a public entity risk pool. In June 2006, the City withdrew from LAWCX and joined the CSAC Excess Insurance Authority (CSAC). CSAC membership consists of 54 California counties and 196 organizations (cities, school districts, special districts and other JPAs). Workers' compensation claims in excess of $500,000 are covered by CSAC through reinsurance up to a limit of $250,000,000.

Summary financial information for CSAC for the year ended June 30, 2010 (latest available date), is as follows:

Total cash and cash equivalents	$ 37,012,726
Total other current assets	278,459,795
Total noncurrent assets	231,292,296
Total assets	$ 546,764,817
Total current liabilities	$ 104,210,436
Total noncurrent liabilities	324,196,776
Net assets	118,357,605
Total liabilities and net assets	$ 546,764,817
Total operating revenues	$ 400,272,712
Total operating expenses	(443,438,510)
Total nonoperating revenue	15,730,030
Net income (loss)	$ (27,435,768)

Complete financial statements for CSAC can be obtained from CSAC Excess Insurance Authority, 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

8. INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

Interfund receivables and payables represent short term loans owed by Non-major Governmental Funds to the General Fund for purposes of covering short term negative cash positions. These interfund transactions are routine year-end adjustments. Interfund receivables and payables at June 30, 2011, were as follows:

Due To: General Fund	Due From: Non-Major Governmental Funds
$ 2,236,463	$ 2,236,463

B. Interfund Transfers

The General Fund transfers resources to other funds to support activities that cannot be supported through fees, grants, or charges for service. These activities include capital projects, debt service, and certain cost center operations. There are also a variety of additional transfers between the General Fund and other funds to cover such items as overhead and vehicle replacement charges.

Interfund transfers for the year ended June 30, 2011, were as follows:

	Transfers In							
Transfers Out	General Fund	RDA Operations	Development Impact Fees	Development Cost Center	Recreation Services	Non-Major Funds	Internal Service Funds	Total
General Fund	$ -	$ 30,062	$ -	$ 2,117,400	$ 2,160,769	$ 11,604,296	$ 38,109	$ 15,950,636
RDA Operations	182,537	-	-	-	-	1,419	-	183,956
Low and Mod. Housing	74,645	-	-	-	-	-	-	74,645
RDA Debt Service	-	20,000,000	-	-	-	-	-	20,000,000
RDA Capital Projects	-	-	1,980,000	-	-	-	-	1,980,000
Development. Impact Fees	950,000	-	-	-	-	-	-	950,000
Development Cost Center	1,897,641	-	-	-	-	122,827	-	2,020,468
Recreation Services	791,560	-	-	-	-	264,590	-	1,056,150
Non-Major Funds	3,868,875	-	-	-	-	1,184,673	-	5,053,548
Internal Service Funds	804,292	-	-	-	-	9,654	-	813,946
Total	$ 8,569,550	$ 20,030,062	$ 1,980,000	$ 2,117,400	$ 2,160,769	$ 13,187,459	$ 38,109	$ 48,083,349

9. RETIREMENT BENEFITS

A. California Public Employees' Retirement System

Plan Description – The City's defined benefit pension plans, City of Fremont Miscellaneous Plan and City of Fremont Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries through the California Public Employees' Retirement System (CalPERS). All regular City employees classified as full-time, as well as part-time regular employees and temporary City workers who work 1,000 or more hours per year, are required to participate in CalPERS. Benefits vest after five years of service.

City employees who retire at or after age 55 (50 for safety employees) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% for miscellaneous employees and 3% for safety employees of their highest annual salary for each year of service. The service retirement benefit for public safety is capped at 90% of final compensation. There is no cap on retirement benefits for miscellaneous employees. CalPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance. The City of Fremont Miscellaneous Plan and City of Fremont Safety Plan are part of the Public Agency portion of CalPERS, an agent multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95814.

Funding Policy – Active plan members in the City of Fremont Miscellaneous Plan are required to contribute 8% of their annual covered salary. Active plan members in the City of Fremont Safety Plan are required to contribute 9% of their annual covered salary. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010/11 was 18.360% of covered payroll for miscellaneous employees and 29.958% of covered payroll for safety employees. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is actuarially established and may be amended by CalPERS.

Annual Pension Cost – For fiscal year 2010/11, the City's annual pension cost was $18,769,769, which was equal to the City's required and actual contributions. The required contribution rate for fiscal year 2010/11 was determined as part of the June 30, 2008 actuarial valuation, which used the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (1) 7.75% investment rate of return (net of administrative expenses); (2) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members, and from 3.25% to 13.15% for safety members; (3) an inflation component of 3.0%, and (4) 3.25% annual cost-of-living adjustment for miscellaneous members and safety members. The actuarial values of the Miscellaneous and Safety Plans' assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen-year period. CalPERS' unfunded actuarial accrued liability (or surplus) is amortized as a level percentage of projected payrolls on a closed basis.

The amortization period at June 30, 2010, was 22 years for miscellaneous members for prior and current service unfunded liabilities, and 21 years for safety members.

Following is three-year trend information for both Safety and Miscellaneous plans:

Annual Pension Cost (APC - Employer Contribution)

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/09	$10,830,434	$8,950,988	100%	$ -
6/30/10	10,956,243	7,960,445	100%	-
6/30/11	10,893,207	7,876,562	100%	-

B. *Funding Status as of the Most Recent Actuarial Date*

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. This schedule presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Safety Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
6/30/08	$396,575,949	$331,880,875	$64,695,074	83.7%	$35,741,075	181.01%
6/30/09	437,389,177	337,341,484	100,047,693	77.1%	36,844,556	271.54%
6/30/10	452,614,959	350,899,110	101,715,849	77.5%	37,059,614	274.47%

Miscellaneous Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
6/30/08	$289,675,184	$238,111,105	$51,564,079	82.2%	$45,425,424	113.51%
6/30/09	329,923,638	247,240,523	82,683,115	74.9%	46,226,193	178.87%
6/30/10	342,196,322	261,428,715	80,767,607	76.4%	43,639,029	185.08%

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description and Eligibility – In addition to providing the retirement benefits described above, the City provides post-retirement healthcare benefits, in accordance with bargaining unit agreements, to qualified retired employees. Retirees must make an election within 90 days following the date of separation from City employment to be eligible for the benefits. The number of employees currently eligible to receive the benefit has increased from 624 in the previous year to 653 in the current year. The City reimburses all or part of premium payments for medical insurance. The reimbursement amount is subject to a negotiation process and varies by bargaining unit and retirement date. The benefit is paid monthly to the retiree subject to proof of coverage and attestation of premium payment. The benefit generally ceases upon death of the retiree. The total annual required contribution for June 30, 2011, was $6,071,000.

Funding Policy – The City funds its OPEB obligations on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

Annual required contribution	$6,071,000
Interest on net OPEB obligation	330,000
Amortization of net OPEB	(553,000)
Annual OPEB cost (expense)	5,848,000
Contributions made	(2,145,000)
Increase in net OPEB obligation	3,703,000
NET OPEB obligation – beginning of year	6,957,000
NET OPEB obligation – end of year	$10,660,000

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010/11 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$3,387,000	$1,773,000	52.3%	$3,387,000
2010	5,505,000	1,935,000	35.1%	6,957,000
2011	5,848,000	2,145,000	36.7%	10,660,000

Funding Status and Funding Progress – the funding status of the plan for the past three fiscal years is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2008	$0	$44,893,000	$44,893,000	0%	$68,332,000	65.7%
6/30/2009	-	55,754,000	55,754,000	0%	77,147,000	72.3%
6/30/2010	-	67,049,000	67,049,000	0%	74,073,000	90.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities, and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.75% investment rate of return, compared to the City's own year to date investment yield of 1.84%. A 3.0% general rate of inflation was used, as well as 3.25% aggregate payroll increases. Healthcare cost trend rates were 9.1% and 9.8% for non-medicare HMO and PPO, respectively. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over a 30 year closed period. There is no assumed post retirement benefit increase.

11. COMMITMENTS AND CONTINGENCIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Over the last several years, the City has entered into various cooperation and financing agreements with other public agencies regarding the design and construction of the Mission Interchange and the associated Warren Avenue Grade Separation. During FY 2010/11, several additional agreements and amendments to prior agreements were executed as a result of the ongoing progress of the project. Among the new agreements was a cooperative funding agreement with the Santa Clara Valley Transportation Authority (VTA) for the relocation of a portion of Aqua Fria Creek where it conflicts with the project. Over the next year, the City expects to enter into a cooperative funding agreement with VTA for the construction of the full Warren Avenue Grade Separation, as well as the completion of the Mission Interchange.

The Agency has entered into agreements with various taxing entities whereby the Agency passes through a portion of its incremental tax received from the County for these taxing entities. These payments are shown as intergovernmental expenditures in the accompanying basic financial statements. As of June 30, 2011, the total pass-through obligation of $14,109,883 had not yet been paid. This amount is included in due to other governmental agencies in the accompanying basic financial statements.

A. Housing Loan Commitments

The Agency has entered into loan commitments for the following affordable housing projects, which are funded through the Low and Moderate Income Housing Fund:

> *Affirmed Housing – Maple Square Apartments* – To date, the Agency and the City have committed a total of $13,002,961 to Maple Square Apartments, developed by Affirmed Housing Group/Fremont Family Housing Partners, L.P., in the Centerville Redevelopment Project Area. This loan commitment consists of $12,706,961 of Agency affordable housing funds and $296,000 of State Workforce Housing Reward Grant funds awarded to the City. The 132-unit affordable rental housing development for families opened in February 2007. As of June 30, 2011, $13,002,961 had been disbursed, consisting of $12,706,961 of Agency funds and $296,000 of State grant funds. These loan funds were used for predevelopment, land acquisition, and development costs. As of June 30, 2011, the loan balance is $12,552,961 which reflects a $450,000 repayment in the current year.

> *Eden Housing – Peralta Boulevard Senior Apartments* – As of June 30, 2011, the Agency and the City have committed $12,720,621 to Peralta Boulevard Senior Apartments. This combined predevelopment, acquisition, and development loan consists of $10,832,464 of Agency affordable housing funds, $1,400,000 of City federal HOME funds, and $488,157 of City CDBG funds. Eden Housing, the developer, is building a 98-unit senior housing rental development on a 2.98-acre site located in the Centerville Project Area. Eden acquired the site and the City Council approved the project during last fiscal year. The project is scheduled for completion in early 2012. As of June 30, 2011, the full commitment of $12,720,621 has been disbursed.

> *Allied Housing – Main Street Village* – Allied Housing completed, in November 2011, a 64-unit supportive housing rental development located on a 1.6-acre site located in the Irvington Project Area. As of June 30, 2011, the Agency and the City have committed $6,644,533 to Allied Housing's Main Street Village. These development loan funds consist of $2,384,542 of Agency affordable housing funds, $3,000,000 of State HELP funds,

$1,059,991 of City federal HOME funds, and a $200,000 City federal CDBG grant to fund a tenant services center and community center. During the current year, Allied Housing made a repayment of $4,105,285 which was added back as an additional loan commitment from Agency affordable housing funds. As of June 30, 2011, $6,229,406 has been disbursed from the total commitment, leaving $415,127 in remaining commitment from Agency affordable housing funds.

With respect to the entire loan commitments described above, the Agency is repaid based on the type of loan and whether the affordable housing units are for-sale or rental. If it is an apartment project, borrowers agree to pay the Agency an amount equal to excess cash, which is defined as the operating revenue in excess of the amount required for operation of the development, including current debt service, other mortgage loans, property management fees, taxes, insurance, and other operating costs. In the event that excess cash is not generated, all loan principal and interest payments are deferred. If it is a short-term construction loan, borrowers agree to pay the Agency when permanent financing is in place. Loans issued for homeownership are generally repaid with interest at the time of sale or within a specified period or are issued as equity sharing loans. The Agency has not recorded receivables or accrued interest related to these agreements because the amount of the receivables and accrued interest is not currently available.

The Agency is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Agency's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Agency.

12. RELATED PARTY TRANSACTIONS

In October 2005, the City made a housing assistance loan to the Fire Chief to acquire real property in compliance with the executive housing assistance loan agreement in an amount not to exceed $600,000, repayable in 30 years. The interest rate on the loan is variable and adjusts annually on the anniversary of the loan to reflect the average yield received by the City on its investment portfolio during the most recent four quarters. As of June 30, 2011, the outstanding balance of this loan receivable was $571,725.

13. PRIOR PERIOD ADJUSTMENT

The Government-wide Statement of Net Assets, and Statement of Activities and Changes in Net Assets, includes a restatement of net assets for the year ended June 30, 2011. The adjustment, in the amount of $11,278,053, is an allowance for uncollectible amounts of prior years' accumulated accrued interest on affordable housing loans. Because of their nature, affordable housing loans are fully reserved because the amount and timing of any repayment is not known and, by their terms, the loans may be partially or fully forgiven if certain criteria are met. A similar allowance for uncollectible interest accruals should also have been recorded. The City will recognize interest revenue when paid by the borrowers, rather than when accrued. The adjustments to the FY 2009/10 Government-wide statements are as follows:

	As Reported	Amount of Prior Period Adjustment	As Restated
Statement of Net Assets:			
Accrued Interest	$ 12,676,582	($11,278,053)	$ 1,398,529
Net assets, restricted for community development	151,797,118	(11,278,053)	140,519,065
Statement of Activities and Changes in Net Assets:			
Investment earnings	7,637,105	(1,278,331)	6,358,774
Prior period adjustment to beginning net assets	--	(9,999,722)	(9,999,722)

14. SUBSEQUENT EVENTS

On June 29, 2011, the Governor of the State of California signed Assembly Bills (AB)x1 26 and 27 as part of the State's budget package. ABx1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. ABx1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011/12 and annual payments each fiscal year thereafter. ABx1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012/13 have yet to be determined by the State Legislature.

ABx1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by ABx1 26.

In the event that ABx1 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible, resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn ABx1 26 and ABx1 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of ABx1 27 and most of ABx1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of ABx1 26 and ABx1 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011.

Because the stay provided by ABx1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees, such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in ABx1 26.

On July 19, 2011, the City Council adopted an ordinance indicating its intent to comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Redevelopment Agency, in the event ABx1 26 and/or ABx1 27 are upheld as constitutional. The initial payment by the City is estimated to be $9.1 million, with one-half due on January 15, 2012, and the other half due on May 15, 2012. Thereafter, an estimated $2.1 million will be due annually. The amounts due annually after fiscal year 2012/13 may change by possible State legislative action or if the Agency incurs new debt. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. ABx1 27 allows a one-year reprieve on the Agency's obligation to contribute 20% of tax increment to the low and moderate income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of ABx1 26.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the State. In the event that ABx1 26 and/or ABx1 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

Required Supplementary Information

1. BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the City's financial resources, as well as establishing that highest priority objectives are accomplished.

The annual budget serves from July 1 to June 30, and is a vehicle that communicates these priorities to the community, businesses, vendors, employees and other public agencies. In addition, it establishes the foundation of effective financial planning by providing resource allocation, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

a. The City Council adopts an annual budget by resolution prior to August 1 of each fiscal year. The annual budget indicates appropriations by fund or, in some instances, by program. The City Council may adopt supplemental appropriations during the year. At the fund level, expenditures may not legally exceed appropriations. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund.

   The City Manager may also increase appropriations for operating expenditures for the Development Cost Center, Recreation Services Cost Center, and Human Services Department when quarterly fee or grant estimates in those funds exceed the amounts estimated at the time of budget adoption because of increased fee or grant activity. Any revisions or transfers that alter the total appropriations of other funds must be approved by the City Council.

b. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that unrealized investment gains/losses are not recognized for budgetary purposes. Annual appropriated budgets are adopted for the General and certain special revenue funds (Redevelopment Operations, Development Cost Center and Recreation Services). Project-length budgets are adopted for all capital projects funds, and either project-length budgets or non-appropriated financial plans are adopted for certain other special revenue funds (all special revenue funds except those specifically mentioned in the preceding sentence).

c. Supplemental budgetary changes were adopted by the City Council during the year; however, these supplemental budgetary changes were not material in relation to the budget as originally adopted.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as assigned fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Unexpended annual appropriations lapse at the end of the fiscal year; encumbered appropriations are re-budgeted in the next fiscal year. Unexpended capital improvement appropriations are carried forward until the improvements or programs are complete.

Following are the budget comparison schedules for the General Fund and applicable major special revenue funds for which an annual operating budget was adopted.

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Fund Balance - Beginning	$ 23,761,000	$ 23,761,000	$ 28,900,662	$ 5,139,662
Resources (inflows):				
Property tax	61,233,000	61,233,000	61,738,762	505,762
Sales tax	27,772,000	27,772,000	30,089,204	2,317,204
Vehicle license fees	408,000	408,000	991,459	583,459
Intergovernmental	241,000	241,000	142,362	(98,638)
Business tax	7,410,000	7,410,000	6,820,327	(589,673)
Other taxes	3,822,000	3,822,000	4,507,162	685,162
Franchises	7,825,000	7,825,000	8,215,061	390,061
Charges for services	8,826,000	8,826,000	8,266,409	(559,591)
Investment earnings	1,600,000	1,600,000	699,534	(900,466)
Other	1,308,000	1,308,000	1,117,956	(190,044)
Operating transfers in	6,334,000	6,334,000	8,569,550	2,235,550
Total resources	126,779,000	126,779,000	131,157,786	4,378,786
Charges to appropriations (outflows):				
General government	12,118,519	11,645,603	11,626,724	18,879
Police services	53,428,886	53,367,009	52,488,719	878,290
Fire services	31,720,567	31,722,065	31,415,705	306,360
Capital assets maintenance and operations	19,894,283	19,750,191	18,294,596	1,455,595
Community development and environmental services	733,567	738,740	655,745	82,995
Capital outlay	-	382,790	382,790	-
Debt service:				-
Interest and fiscal charges	425,000	425,000	1,181,929	(756,929)
Operating transfers out	19,111,221	19,400,645	15,950,636	3,450,009
Total charges to appropriations	137,432,043	137,432,043	131,996,844	5,435,199
Resources over (under) charges to appropriations	(10,653,043)	(10,653,043)	(839,058)	9,813,985
Fund Balance - Ending	$ 13,107,957	$ 13,107,957	$ 28,061,604	$ 14,953,647

Budgetary Comparison Schedule, Redevelopment Operations

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning	$ 384,257	$ 384,257	$ 109,468	$ (274,789)
Resources (inflows):				
Investment earnings	-	-	34,631	34,631
Other	-	-	119,769	119,769
Operating transfers in	20,000,000	20,030,062	20,030,062	-
Total resources	20,000,000	20,030,062	20,184,462	154,400
Charges to appropriations (outflows):				
Intergovernmental	15,802,000	15,802,000	11,880,041	3,921,959
Community development	1,626,136	1,656,198	1,485,076	171,122
Operating transfers out	182,935	182,935	183,956	(1,021)
Total charges to appropriations	17,611,071	17,641,133	13,549,073	4,092,060
Resources over (under) charges to appropriations	2,388,929	2,388,929	6,635,389	4,246,460
Fund Balance - Ending	$ 2,773,186	$ 2,773,186	$ 6,744,857	$ 3,971,671

Budgetary Comparison Schedule, Development Cost Center

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning	$ 2,727,000	$ 2,727,000	$ 3,694,264	$ 967,264
Resources (inflows):				
Charges for services	8,923,371	8,923,371	7,748,389	(1,174,982)
Investment earnings	127,000	127,000	113,268	(13,732)
Operating transfers in	1,980,600	2,117,400	2,117,400	-
Total resources	11,030,971	11,167,771	9,979,057	(1,188,714)
Charges to appropriations (outflows):				
Community development and environmental services	9,263,423	9,400,223	8,122,209	1,278,014
Operating transfers out	2,191,748	2,190,748	2,020,468	170,280
Total charges to appropriations	11,455,171	11,590,971	10,142,677	1,448,294
Resources over (under) charges to appropriations	(424,200)	(423,200)	(163,620)	259,580
Fund Balance - Ending	$ 2,302,800	$ 2,303,800	$ 3,530,644	$ 1,226,844

Budgetary Comparison Schedule, Recreation Services

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning	$ 3,982,000	$ 3,982,000	$ 3,986,843	$ 4,843
Resources (inflows):				
Charges for services	5,898,954	5,898,954	5,532,399	(366,555)
Investment earnings	100,000	100,000	72,733	(27,267)
Other	105,100	105,100	78,624	(26,476)
Operating transfers in	2,138,000	2,160,769	2,160,769	-
Total resources	8,242,054	8,264,823	7,844,525	(420,298)
Charges to appropriations (outflows):				
Recreation and leisure services	7,127,133	7,149,902	6,509,957	639,945
Operating transfers out	792,102	1,017,102	1,056,149	(39,047)
Total charges to appropriations	7,919,235	8,167,004	7,566,106	600,898
Resources over (under) charges to appropriations	322,819	97,819	278,419	180,600
Fund Balance - Ending	$ 4,304,819	$ 4,079,819	$ 4,265,262	$ 185,443

2. MODIFIED APPROACH FOR THE CITY'S INFRASTRUCTURE

In accordance with GASB Statement No. 34, the City accounts for and reports infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; parks and recreation land and improvements; the storm water collection system; and site amenities associated with buildings such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system is further divided into subsystems. For example, the street system is divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the modified approach, as defined by GASB Statement No. 34, for the Roads and Streets networks. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The City manages the eligible infrastructure capital assets using an asset management system with the following characteristics: (1) maintain an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amount needed to maintain and preserve the assets at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

City-owned streets are defined as all physical features associated with the operation of motorized vehicles that exist within the limits of the City rights of way. The City streets are constructed primarily of asphalt pavement. Further, the streets are classified based on land use, access and traffic utilization into the following three classifications: (1) arterial/major, (2) collector and (3) residential/local.

In 2009, the City commissioned a study to update the physical condition assessment of all City arterial, collector and residential streets. The prior assessment study of the City arterial and collector streets was completed in 2006. Before that, the entire City road network, including residential streets, was inspected and rated in 2004.

The condition assessments will continue to be performed every two to three years for arterials and collectors and every five years for residential streets. The 2011 inspection for the arterials and collectors is in progress. This inspection was originally due for completion by August 31, 2011; however, the Metropolitan Transportation Commission (MTC) granted additional time for completion and the scheduled completion date by the City consultant is January 2012. Every arterial and collector street is inspected and the physical condition is recorded based on a system of 17 defined pavement distress conditions and the Pavement Condition Index (PCI), a nationally recognized index, is calculated based on the inspection data. The PCI is expressed as a rating from 0 to 100, where 0 is the least acceptable condition and 100 is the rating for a street in excellent condition or a new street. The following conditions are defined with the corresponding PCI rating ranges:

Condition	PCI Rating
Excellent	86–100
Good	70–85
Fair	50–69
Poor	25–49
Very Poor	<25

Through June 30, 2011, the City’s policy was to achieve an average PCI rating of 50 for all streets. This rating means more pavement distresses ranging from surface types such as cracking and raveling to the more serious load related distresses, such as alligator cracking and rutting will become noticeable to drivers traveling at the posted speeds. As of June 30, 2011, the City’s overall street system was rated at an estimated PCI index of 61, with the detail condition as follows:

		% of Streets Sections		
Condition	PCI Rating	June 30, 2009	June 30, 2010	June 30, 2011
Good to Excellent	70–100	47%	41%	37%
Fair	50–69	28%	24%	22%
Poor to Very Poor	0–49	25%	35%	41%

The City’s streets are constantly deteriorating due to the following four factors: (1) traffic using the streets, especially trucks and buses; (2) the sun’s ultraviolet and infrared rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests’ trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities, such as pothole patching, street sweeping, and curb and gutter repair.

In total, the City expended $5,847,754 on street maintenance for the fiscal year ended June 30, 2011. The annual expenditures delay deterioration; however, the overall rating of the City's streets was not improved through these maintenance expenditures. A table of the previously estimated annual amounts required to maintain and preserve City streets at the then current PCI level compared to the actual expenditures for street maintenance and actual PCI levels for the last five years is as follows:

Fiscal Year	Maintenance Estimate	Actual Expenditure	Overall City PCI Rating
2006/07	$ 10,800,000	$ 5,199,654	68
2007/08	12,000,000	5,839,171	67
2008/09	12,000,000	5,916,134	64
2009/10	15,500,000	11,651,400	62
2010/11	15,500,000	5,847,754	61

In 2009, the City estimated that $15,500,000 would be required to be expended annually to maintain the City's streets at the 2008/09 average PCI rating of 64. This estimate is being used for 2010/11 and will be reviewed when the City consultant report becomes available in January 2012. As can be seen in the above table, the actual expenditure is less that the estimated required maintenance budget and the overall City PCI has dropped by 7 points over the past four years.

As noted above, the current inspection of City residential streets was completed in June 2009. The previous inspection of City residential streets took place in 2004. Between then and now, the deterioration of residential streets has accelerated due to the further aging and failure of older maintenance treatments such as slurry seals, revealing the defects in structure of the underlying streets. Also, preventative maintenance of residential streets continues to be deferred on a year over year basis due to the higher priority given to arterials and collectors, which carry higher volumes of traffic at higher speeds and present a greater liability to the City. As residential streets comprise the majority of the streets in Fremont, being nearly 45% of the total street network, the overall PCI is adversely affected by this deferred maintenance. As of June 30, 2011, approximately 63% of the City's streets were rated below the average standard of 70, a 4% increase from 2009/10 when the percentage of streets rated below 70 was 59%. The reason for the increase is as stated above, being the increased deterioration of residential streets due to deferred maintenance

The City has on-going street rehabilitation and maintenance programs funded in the Capital Improvement Program. Streets selected for inclusion in rehabilitation and maintenance projects are identified through the Pavement Management System (PMS). Because of the funding deficit, the PMS puts a priority on maintaining the streets that are in good condition. As street maintenance is deferred, more expensive treatments become necessary; therefore, it is more cost effective to maintain streets that are in good condition.

Due to higher traffic volumes and higher vehicle speeds, City arterial (highest traffic level) and collector (intermediate traffic level) streets receive priority over minor residential streets and cul-de-sacs. The heavier traffic on arterials and collectors causes pavement damage at higher rates. Also, due to the higher speeds on the arterial and collector roadways, maintaining the pavements to assure safe operating conditions is essential. The City will continue to rehabilitate and maintain the arterial and collector and all City streets as funds permit.

3. SCHEDULE OF FUNDING PROGRESS

A schedule of funding progress for the year ended June 30, 2010, including the past three actuarial valuations, is presented below:

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)
SCHEDULE OF FUNDING PROGRESS
Miscellaneous Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2008	$ 233,819,225	$ 289,675,184	$ 55,855,959	80.7%	$ 45,425,424	122.96%
6/30/2009	247,240,523	329,923,638	82,683,115	74.9%	46,226,193	178.87%
6/30/2010	261,428,715	342,196,322	80,767,607	76.4%	43,639,029	185.08%

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)
SCHEDULE OF FUNDING PROGRESS
Safety Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2008	$ 324,285,049	$ 396,575,949	$ 72,290,900	81.8%	$ 35,741,075	202.26%
6/30/2009	337,341,484	437,389,177	100,047,693	77.1%	36,844,556	271.54%
6/30/2010	350,899,110	452,614,959	101,715,849	77.5%	37,059,614	274.47%

OTHER POST EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2008	$ -	$ 44,893,000	$ 44,893,000	0.0%	$ 68,332,000	65.7%
6/30/2009	-	55,754,000	55,754,000	0.0%	77,147,000	72.3%
6/30/2010	-	67,049,000	67,049,000	0.0%	74,073,000	90.5%

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Non-Major Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for City revenues from sources that, by law or administrative action, are designated to finance particular functions or activities of government. The individual special revenue funds are as follows:

Human Services – This fund accounts for City revenues from federal, state, and local sources designated for social service programs and services for families, the elderly, and youth. Services and programs include self-sufficiency, counseling, and housing assistance.

HOME Grant – This fund accounts for monies received under the HOME Investment Partnership Act. HOME funds can be used to acquire, rehabilitate, finance, and construct affordable housing and provide tenant-based rental assistance.

Multi-family Housing – This fund accounts for fees received for monitoring the Residential Mortgage Loan Program.

Integrated Waste Management – This fund accounts for monies received by the City to comply with the provisions of AB939 for the purpose of addressing recycling, household hazardous waste and solid waste management issues. These revenues may only be spent for integrated waste management and waste reduction programs.

Urban Runoff – The Clean Water Fee special assessment funds the Urban Runoff Clean Water Program. This program is based on the Stormwater Management Plan of the Alameda Countywide Clean Water Program. The plan is required for and a part of the National Pollutant Discharge Elimination System permit. Included in the plan are tasks for municipalities to carry out, including public information, municipal maintenance activities, new development requirements, illicit discharge elimination, industrial discharge identification and control, monitoring and special studies.

Traffic Safety OTS – This fund accounts for monies received from the State, to be used to reduce alcohol involved fatalities and injuries, and raise general public awareness regarding the problems associated with drinking and driving.

Abandoned Vehicle – This fund accounts for monies received by the City under California Vehicle Code Sections 9250.7 and 22710 and used for the abatement, removal, and disposal as public nuisances of any abandoned, wrecked, dismantled, or inoperative vehicles from private or public property.

Narcotics Asset Seizure – This fund accounts for assets confiscated by the City and by the Southern Alameda County Narcotics Enforcement Team (SACNET), which consists of police officers from the cities of Fremont, Newark and Union City. These assets may only be used for future narcotics investigations.

COPS AB3229 – This fund accounts for State funds distributed by the County for front-line law enforcement services, including anti-gang and community crime prevention programs.

Justice Assistance Grant – This fund accounts for federal pass-through money and allows states, tribes and local government to support a broad range of activities to prevent and control crime based on local needs and conditions, such as initiatives technical assistance, training personnel, and equipment supplies.

Law Enforcement Grant – This fund accounts for federal monies to be spent for crime reduction, to improve public safety, and for other programs, such as substance abuse prevention and treatment programs.

Inclusionary Housing In Lieu – This fund accounts for payments received from developers. The Inclusionary Housing Program requires a minimum amount of affordable housing to be created in conjunction with market rate residential development.

Metropolitan Medical Response System (MMRS) – This fund accounts for federal grants to fund the purchase of anti-terrorism equipment, medications, and training and exercise for terrorism responses.

American Recovery and Reinvestment Act of 2009 (ARRA) – This fund accounts for federal stimulus funding for various projects and programs, such as the street overlay project, pavement rehabilitation projects, Homeless Prevention and Rapid Rehousing program, renovations at the Family Resource Center, including reconstruction of the parking lot, and various energy efficiency and conservation projects.

Miscellaneous Federal Grants – This fund accounts for federal monies received from various individual federal grants that are subject to the Single Audit.

Miscellaneous State Support – This fund accounts for one-time miscellaneous funds received from State agencies.

Traffic Congestion AB2928 – This fund accounts for monies provided by State legislation to be used for street improvements, and/or projects specified in the Assembly Bill. The bill also requires a Maintenance of Effort (MOE) from the General Fund over a 3-year period.

State Gas Tax – This fund accounts for monies apportioned to the City from State-collected gasoline taxes. The annual allocation may be spent for street maintenance or construction. Funds are apportioned by the State on the basis of population.

Proposition 1B Local Streets and Roads – This fund accounts for bond monies provided by State legislation to cities for maintenance and improvement of local transportation facilities.

County Support for City Streets – This fund receives and expends the money allocated from Alameda County as the City's share of the State gasoline taxes allocated for County roads.

Maintenance District – This fund accounts for lighting and landscape maintenance activities in new subdivisions within the City. These activities are funded by special assessments on property within the benefited area.

DEBT SERVICE FUNDS

Debt Service Funds are used to record the accumulation of resources for, and the payment of, principal, interest and fiscal charges on general long-term debt. The individual debt service funds are as follows:

Fire General Obligation Bonds – Voters of the City of Fremont approved Measure R in the November 2002 election, which authorizes the City to issue $51 million in general obligation bonds to provide funding to replace three fire stations, build a public safety training center, and make remodeling and seismic improvements to seven existing fire stations. To date, $51 million of these bonds have been issued: (1) Series A for $10 million was issued on July 17, 2003, (2) Series B for $25 million was issued on April 14, 2005, (3) and Series C for $15 million was issued on January 28, 2009.

Financing Authority – This fund accounts for the payment of principle and interest on certificates of participation. The proceeds of the debt were used to finance construction of capital facilities.

CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the acquisition or construction of major capital facilities and improvements. The specific capital project funds are listed below:

Transportation Development Act – This fund accounts for funds received under the Transportation Development Act (Article 3) to be used for street construction projects.

Miscellaneous State Grants Capital – This fund accounts for one-time miscellaneous funds received from State agencies.

Interchange Construction – This fund accounts for construction of Interstate 880 interchange at Fremont Boulevard, Mission Boulevard, Auto Mall Parkway and Dixon Landing Road.

Vehicle Replacement – This fund accounts for vehicle acquisitions.

Capital Improvement – By Council resolution, this fund can be used only to finance capital improvements for the City, including the acquisition, construction, and initial equipping of parks, recreation areas, public safety facilities, or other public works projects. Amounts in this fund are received as transfers from the General Fund, as interest earned on invested cash balances, as proceeds from the sale of certain parcels of land, or as proceeds of debt.

Capital Improvement Outside Sources – This fund accounts for contributions received from other outside sources that are intended to help fund specific capital projects.

Measure B Streets, Bikes and Pedestrian – Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related expenditures. This fund accounts for that portion of these monies used to fund transportation-related capital projects.

Intermodal Surface Transportation Efficiency Act (ISTEA) – ISTEA was created in 1991 to provide federal funding for transportation projects. It replaces the Federal Aid Urban Program. Among ISTEA's many programs, three provide capital improvement funds for local governments. These programs are known as the Surface Transportation Program, the Congestion Mitigation and Air Quality Improvement Program, and the Transportation Enhancement Activity Program. Funds are applied for on a project-by-project basis.

Traffic System Management – This fund receives monies from the Bay Area Quality Management District under AB434. The fund's expenditures relate to the implementation of the City's trip reduction ordinance – a State-mandated activity.

Fire General Obligation Bonds – This fund accounts for debt proceeds used for the construction, remodeling, or improvements of fire stations.

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011
(With comparative totals for June 30, 2010)

	Special Revenue Funds			
	Human Services	HOME Grant	Multi-family Housing	Integrated Waste Management
ASSETS				
Cash and investments held by City	$ 6,103,743	$ -	$ 55,254	$ 2,675,675
Restricted cash and investments held by fiscal agent or City	-	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	2,436,478	79,443	-	460,888
Housing rehabilitation loans, net	1,481,712	-	-	-
Accrued interest	-	-	-	-
Other	34,977	-	-	929,423
Due from other funds	-	-	-	-
Other assets	-	-	-	
Total assets	$ 10,056,910	$ 79,443	$ 55,254	$ 4,065,986
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 618,143	$ 7,185	$ 17,000	$ 122,692
Salaries and wages payable	237,967	-	3,236	37,496
Due to other funds	1,055,136	68,573	-	-
Other liabilities	-	-	-	-
Deferred revenue	1,476,691	-	134	58,098
Total liabilities	3,387,937	75,758	20,370	218,286
Fund Balances:				
Nonspendable				
Prepaid assets	-	-	-	-
Restricted for:				
Social service programs	5,639,636	3,685	34,884	-
Debt service	-	-	-	-
Public safety	-	-	-	-
Street improvements	-	-	-	-
Community development	-	-	-	3,847,700
Other purposes	-	-	-	-
Committed for:				
Vehicle replacement	-	-	-	-
Social service programs	1,029,337	-	-	-
Other capital projects	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	6,668,973	3,685	34,884	3,847,700
Total liabilities and fund balances	$ 10,056,910	$ 79,443	$ 55,254	$ 4,065,986

Special Revenue Funds						
Urban Runoff	Traffic Safety OTS	Abandoned Vehicle	Narcotics Asset Seizure	COPS AB3229	Justice Assistance Grant	Law Enforcement Technology
1,886,466	$ -	$ -	$ 564,891	$ 3,068	$ 36,366	$ -
-	-	-	33,360	-	-	-
-	-	-	-	-	-	-
8,134	2,576	40,000	-	131,585	10,621	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
	-	-	-	-	-	-
$ 1,894,600	$ 2,576	$ 40,000	$ 598,251	$ 134,653	$ 46,987	$ -
$ 68,954	$ -	$ -	$ 60,246	$ 390	$ 1,763	$ -
19,278	-	-	86	-	-	-
-	2,576	40,000	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
88,232	2,576	40,000	60,332	390	1,763	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	537,919	134,263	45,224	-
-	-	-	-	-	-	-
1,806,368	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,806,368	-	-	537,919	134,263	45,224	-
$ 1,894,600	$ 2,576	$ 40,000	$ 598,251	$ 134,653	$ 46,987	$ -

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011
(With comparative totals for June 30, 2010)

	Special Revenue Funds			
	Inclusionary Housing In Lieu	Metropolitan Medical Response System	American Reinvestment and Recovery Act	Miscellaneous Federal Grants
ASSETS				
Cash and investments held by City	$ 1,791,377	$ -	$ -	$ -
Restricted cash and investments				
held by fiscal agent	-	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	-	433,496	532,032	329,160
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	$ 1,791,377	$ 433,496	$ 532,032	$ 329,160
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ 75	$ 241,623	$ 9,380
Salaries and wages payable	-	-	-	-
Due to other funds	-	150,518	213,168	39,186
Other liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	150,593	454,791	48,566
Fund Balances:				
Nonspendable				
Prepaid assets	-	-	-	-
Restricted for:				
Social service programs	1,791,377	-	-	-
Debt service	-	-	-	-
Public safety	-	282,903	-	-
Street improvements	-	-	-	-
Community development	-	-	-	-
Other purposes	-	-	77,241	280,594
Committed for:				-
Vehicle replacement	-	-	-	-
Social service programs	-	-	-	-
Other capital projects	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	1,791,377	282,903	77,241	280,594
Total liabilities and fund balances	$ 1,791,377	$ 433,496	$ 532,032	$ 329,160

Special Revenue Funds						
Miscellaneous State Support	Traffic Congestion AB2928	State Gas Tax	Prop 1B Local Streets & Roads	County Support for City Street	Maintenance District	Total Non-major Special Revenue Funds
$ 87,006	$ -	$ 11,035,697	$ 404,257	$ 19,665	$ 304,739	$ 24,968,204
-	-	-	-	-	-	33,360
-	-	-	-	-	-	-
55,474	-	633,188	-	-	-	5,153,075
-	-	-	-	-	-	1,481,712
-	-	-	-	-	-	-
-	-	56,331	-	-	825	1,021,556
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 142,480	$ -	$ 11,725,216	$ 404,257	$ 19,665	$ 305,564	$ 32,657,907
$ 12,244	$ -	$ 249,604	$ -	$ -	$ 8,861	$ 1,418,160
-	-	-	-	-	-	298,063
-	-	-	-	-	-	1,569,157
-	-	-	-	-	-	-
-	-	-	-	-	-	1,534,923
12,244	-	249,604	-	-	8,861	4,820,303
-	-	-	-	-	-	-
-	-	-	-	-	-	7,469,582
-	-	-	-	-	-	-
-	-	-	-	-	-	1,000,309
-	-	11,475,612	404,257	19,665	-	11,899,534
-	-	-	-	-	296,703	5,950,771
130,236	-	-	-	-	-	488,071
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,029,337
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
130,236	-	11,475,612	404,257	19,665	296,703	27,837,604
$ 142,480	$ -	$ 11,725,216	$ 404,257	$ 19,665	$ 305,564	$ 32,657,907

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011
(With comparative totals for June 30, 2010)

	Debt Service Funds			
	Fire General Obligation Bonds	Fremont Financing Authority	Total Non-major Debt Service Funds	Transportation Development Act
ASSETS				
Cash and investments held by City	$ -	$ -	$ -	$ -
Restricted cash and investments held by fiscal agent	2,358,680	4,785,267	7,143,947	-
Receivables:				
Property tax	23,539	-	23,539	-
Due from other governmental agencies	-	-	-	164,109
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	$ 2,382,219	$ 4,785,267	$ 7,167,486	$ 164,109
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ 7,781
Salaries and wages payable	-	-	-	-
Due to other funds	-	-	-	156,328
Other liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	-	164,109
Fund Balances:				
Nonspendable				
Prepaid assets	-	-	-	-
Restricted for:				
Social service programs	-	-	-	-
Debt service	2,382,219	4,785,267	7,167,486	-
Public safety	-	-	-	-
Street improvements	-	-	-	-
Community development	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Vehicle replacement	-	-	-	-
Social service programs	-	-	-	-
Other capital projects	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	2,382,219	4,785,267	7,167,486	-
Total liabilities and fund balances	$ 2,382,219	$ 4,785,267	$ 7,167,486	$ 164,109

Capital Project Funds						
Miscellaneous State Grants Capital	Interchange Construction	Vehicle Replacement	Capital Improvement	Capital Improvement - Outside Sources	Measure B Grants, Streets, Bikes & Pedestrian	Intermodal Surface Transportation Efficiency Act
$ -	$ 2,980,448	$ 4,251,016	$ 13,029,907	$ 2,544,386	$ 4,996,424	$ -
-	-	-	12,244,548	-	-	-
-	-	-	-	-	-	-
336,466	-	-	-	73,863	686,662	123,220
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	321,805	100,043	-	-
-	-	-	-	-	-	-
-	1,259,814	-	-	-	-	-
$ 336,466	$ 4,240,262	$ 4,251,016	$ 25,596,260	$ 2,718,292	$ 5,683,086	$ 123,220
$ 14,835	$ -	$ 10,524	$ 529,857	$ 184,988	$ 75,009	$ 2,601
-	-	-	-	-	-	-
321,631	-	-	-	-	-	120,619
-	-	-	-	-	-	-
-	-	-	-	-	-	-
336,466	-	10,524	529,857	184,988	75,009	123,220
-	1,259,814	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	11,618,551	-	-	-
-	2,980,448	-	-	2,533,304	5,608,077	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	4,240,492	-	-	-	-
-	-	-	-	-	-	-
	-	-	13,447,852	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	4,240,262	4,240,492	25,066,403	2,533,304	5,608,077	-
$ 336,466	$ 4,240,262	$ 4,251,016	$ 25,596,260	$ 2,718,292	$ 5,683,086	$ 123,220

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011
(With comparative totals for June 30, 2010)

	Capital Project Funds		
	Traffic System Management	Fire General Obligation Bonds	Total Non-major Capital Projects Funds
ASSETS			
Cash and investments held by City	$ -	$ 1,728,639	$ 29,530,820
Restricted cash and investments			
held by fiscal agent	-	-	12,244,548
Receivables:			
Property tax	-	-	-
Due from other governmental agencies	68,728	-	1,453,048
Housing rehabilitation loans, net	-	-	-
Accrued interest	-	15	15
Other	-	-	421,848
Due from other funds	-	-	-
Other assets	-	-	1,259,814
Total assets	$ 68,728	$ 1,728,654	$ 44,910,093
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ 363,765	$ 1,189,360
Salaries and wages payable	-	-	-
Due to other funds	68,728	-	667,306
Other liabilities	-	-	-
Deferred revenue	-	-	-
Total liabilities	68,728	363,765	1,856,666
Fund Balances:			
Nonspendable			
Prepaid assets	-	-	1,259,814
Restricted for:			
Social service programs	-	-	-
Debt service	-	-	-
Public safety	-	1,364,889	12,983,440
Street improvements	-	-	11,121,829
Community development	-	-	-
Other purposes	-	-	-
Committed for:			
Vehicle replacement	-	-	4,240,492
Social service programs	-	-	-
Other capital projects	-	-	13,447,852
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	-	1,364,889	43,053,427
Total liabilities and fund balances	$ 68,728	$ 1,728,654	$ 44,910,093

	Total Non-major Governmental Funds	
	2011	2010
	$ 54,499,024	$ 67,971,446
	19,421,855	7,445,302
	23,539	23,017
	6,606,123	7,156,098
	1,481,712	1,465,151
	15	1,457,760
	1,443,404	2,271,981
	-	-
	1,259,814	3,764,808
	$ 84,735,486	$ 91,555,563
	$ 2,607,520	$ 4,357,262
	298,063	113,466
	2,236,463	3,874,118
	-	8,890
	1,534,923	3,117,031
	6,676,969	11,470,767
	1,259,814	3,764,808
	7,469,582	6,430,993
	7,167,486	7,100,039
	13,983,749	7,043,810
	23,021,363	25,516,365
	5,950,771	6,447,002
	488,071	774,382
	4,240,492	4,578,109
	1,029,337	184,559
	13,447,852	18,244,729
	-	-
	-	-
	78,058,517	80,084,796
	$ 84,735,486	$ 91,555,563

(Concluded)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Special Revenue Funds			
	Human Services	HOME Grant	Multi-family Housing	Integrated Waste Management
REVENUES:				
Property tax	$ -	$ -	$ -	$ -
Charges for services	1,488,964	-	74,377	4,990,311
Intergovernmental	5,538,447	1,133,623	-	348,788
Investment earnings	58,286	-	850	-
Other	758,715	-	-	-
Total revenues	7,844,412	1,133,623	75,227	5,339,099
EXPENDITURES:				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	8,077,520	-	-	-
Capital assets maintenance and operations	205,986	-	-	50,029
Community development and		-		
environmental services	1,618,207	1,128,435	59,000	5,235,414
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	248,655	-	-	-
Total expenditures	10,150,368	1,128,435	59,000	5,285,443
REVENUES OVER (UNDER) EXPENDITURES	(2,305,956)	5,188	16,227	53,656
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	
Transfers in	4,674,120	-	-	3,333
Transfers out	(1,375,144)	(5,188)	(7,080)	(237,983)
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	3,298,976	(5,188)	(7,080)	(234,650)
Net change in fund balances	993,020	-	9,147	(180,994)
FUND BALANCES:				
Beginning of year	5,675,953	3,685	25,737	4,028,694
End of year	$ 6,668,973	$ 3,685	$ 34,884	$ 3,847,700

Special Revenue Funds						
Urban Runoff	Traffic Safety OTS	Abandoned Vehicle	Narcotics Asset Seizure	COPS AB3229	Justice Assistance Grant	Law Enforcement Technology
$ -	$ -	$ -	$ -	$ -	$ -	$ -
1,351,049	-	-	-	-	-	-
-	12,724	159,607	308,394	220,270	72,253	7,526
-	-	-	9,745	169	-	-
-	-	-	-	-	-	-
1,351,049	12,724	159,607	318,139	220,439	72,253	7,526
-	12,724	159,607	542,956	91,621	31,725	7,526
-	-	-	-	-	-	-
-	-	-	-	-	-	-
276,230	-	-	-	-	-	-
1,285,493	-	-	-	-	-	-
-	-	-	-	-	-	-
14,903	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,576,626	12,724	159,607	542,956	91,621	31,725	7,526
(225,577)	-	-	(224,817)	128,818	40,528	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	50,000	-	-	-
(144,240)	-	-	-	-	-	-
-	-	-	-	-	-	-
(144,240)	-	-	50,000	-	-	-
(369,817)	-	-	(174,817)	128,818	40,528	-
2,176,185	-	-	712,736	5,445	4,696	-
$ 1,806,368	$ -	$ -	$ 537,919	$ 134,263	$ 45,224	$ -

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Special Revenue Funds			
	Inclusionary Housing In Lieu	Metropolitan Medical Response System	American Reinvestment and Recovery Act	Miscellaneous Federal Grants
REVENUES:				
Property tax	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-
Intergovernmental	-	390,280	1,963,039	1,130,865
Investment earnings	-	54	-	-
Other	881,200	-	-	-
Total revenues	881,200	390,334	1,963,039	1,130,865
EXPENDITURES:				
Current:				
Police services	-	-	50,417	27,527
Fire services	-	420,189	-	252,581
Human services	-	-	497,345	231,870
Capital assets maintenance and operations	-	-	459,616	413,629
Community development and environmental services	-	-	95,878	-
Intergovernmental	-	-	-	-
Capital outlay	-	42,897	900,200	87,944
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	463,086	2,003,456	1,013,551
EXPENDITURES	881,200	(72,752)	(40,417)	117,314
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(10,000)	(348,454)
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	-	-	(10,000)	(348,454)
Net change in fund balances	881,200	(72,752)	(50,417)	(231,140)
FUND BALANCES:				
Beginning of year	910,177	355,655	127,658	511,734
End of year	$ 1,791,377	$ 282,903	$ 77,241	$ 280,594

Special Revenue Funds						
Miscellaneous State Support	Traffic Congestion AB2928	State Gas Tax	Prop 1B Local Streets & Roads	County Support for City Streets	Maintenance District	Total Non-major Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	170,345	8,075,046
139,934	-	5,412,205	-	-	-	16,837,955
-	-	158,763	48,988	331	-	277,186
-	-	-	-	-	-	1,639,915
139,934	-	5,570,968	48,988	331	170,345	26,830,102
25,260	-	-	-	-	-	949,363
-	-	-	-	-	-	672,770
107,428	-	-	-	-	-	8,914,163
-	987,003	4,408,200	2,483,389	-	110,252	9,394,334
-	-	-	-	-	-	9,422,427
-	-	-	-	-	-	-
-	-	-	-	-	-	1,045,944
-	-	-	-	-	-	-
-	-	-	-	-	-	248,655
132,688	987,003	4,408,200	2,483,389	-	110,252	30,647,656
7,246	(987,003)	1,162,768	(2,434,401)	331	60,093	(3,817,554)
-	-	-	-	-	-	-
-			-	-	-	-
-	-	-	-	-	-	4,727,453
(12,000)	-	-	-	-	(5,513)	(2,145,602)
-	-	-	-	-	-	-
(12,000)	-	-	-	-	(5,513)	2,581,851
(4,754)	(987,003)	1,162,768	(2,434,401)	331	54,580	(1,235,703)
134,990	987,003	10,312,844	2,838,658	19,334	242,123	29,073,307
$ 130,236	$ -	$ 11,475,612	$ 404,257	$ 19,665	$ 296,703	$ 27,837,604

(Continued)

City of Fremont
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Debt Service Funds			
	Fire General Obligation Bonds	Fremont Financing Authority	Total Non-major Debt Service Funds	Transportation Development Act
REVENUES:				
Property tax	$ 3,262,259	$ -	$ 3,262,259	$ -
Charges for services	-	-	-	-
Intergovernmental	-	-	-	131,450
Investment earnings	16,948	157,611	174,559	-
Other	-	-	-	-
Total revenues	3,279,207	157,611	3,436,818	131,450
EXPENDITURES:				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	-	-	-	-
Capital assets maintenance and operations	-	-	-	131,450
Community development and environmental services	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	1,055,000	3,625,000	4,680,000	-
Interest and fiscal charges	2,233,727	3,021,016	5,254,743	-
Total expenditures	3,288,727	6,646,016	9,934,743	131,450
EXPENDITURES	(9,520)	(6,488,405)	(6,497,925)	-
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	-	6,565,372	6,565,372	-
Transfers out	-	-	-	-
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	-	6,565,372	6,565,372	-
Net change in fund balances	(9,520)	76,967	67,447	-
FUND BALANCES:				
Beginning of year	2,391,739	4,708,300	7,100,039	-
End of year	$ 2,382,219	$ 4,785,267	$ 7,167,486	$ -

Capital Project Funds						
Miscellaneous State Grants Capital	Interchange Construction	Vehicle Replacement	Capital Improvement	Capital Improvement Outside Sources	Measure B Grants, Streets, Bike & Pedestrian	Intermodal Surface Transportation Efficiency Act
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	737,345	403,319	-	-
328,003	-	-	-	73,000	2,465,121	1,281,642
-	41,549	63,053	204,702	-	71,664	-
-	-	309,412	17,905	243,890		-
328,003	41,549	372,465	959,952	720,209	2,536,785	1,281,642
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	22,927	-
328,003	67,979	-	3,332,959	299,732	2,007,022	1,281,642
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,504,994	1,529,716	3,972,373	1,121,516	16,064	-
		-				
-	-	-	-	-	-	-
-	-	-	-	-	-	-
328,003	2,572,973	1,529,716	7,305,332	1,421,248	2,046,013	1,281,642
-	(2,531,424)	(1,157,251)	(6,345,380)	(701,039)	490,772	-
-	-	-	15,000,000	-	-	-
-	-	-	-	-	-	-
-	-	1,119,634	775,000	-	-	-
-	-	(300,000)	(2,607,946)	-	-	-
-	-	-	-	-	-	-
-	-	819,634	13,167,054	-	-	-
-	(2,531,424)	(337,617)	6,821,674	(701,039)	490,772	-
-	6,771,686	4,578,109	18,244,729	3,234,343	5,117,305	-
$ -	$ 4,240,262	$ 4,240,492	$ 25,066,403	$ 2,533,304	$ 5,608,077	$ -

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Capital Project Funds		
	Traffic System Management	Fire General Obligation Bonds	Total Non-major Capital Projects Funds
REVENUES:			
Property tax	$ -	$ -	$ -
Charges for services	-	-	1,140,664
Intergovernmental	82,777	-	4,361,993
Investment earnings	-	56,653	437,621
Other	-	-	571,207
Total revenues	82,777	56,653	6,511,485
EXPENDITURES:			
Current:			
Police services	-	-	-
Fire services	-	-	-
Human services	-	-	22,927
Capital assets maintenance and operations	82,777	-	7,531,564
Community development and environmental services	-	-	-
Intergovernmental	-	-	-
Capital outlay	-	4,657,042	13,801,705
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	82,777	4,657,042	21,356,196
EXPENDITURES	-	(4,600,389)	(14,844,711)
OTHER FINANCING SOURCES (USES):			
Debt proceeds	-	-	15,000,000
Premium on debt issuance	-	-	-
Transfers in	-	-	1,894,634
Transfers out	-	-	(2,907,946)
Payment to escrow agent	-	-	-
Total other financing sources (uses)	-	-	13,986,688
Net change in fund balances	-	(4,600,389)	(858,023)
FUND BALANCES:			
Beginning of year	-	5,965,278	43,911,450
End of year	$ -	$ 1,364,889	$ 43,053,427

Total Non-major Governmental Funds	
2011	2010
$ 3,262,259	$ 3,596,522
9,215,710	7,843,762
21,199,948	30,541,330
889,366	1,577,043
2,211,122	2,299,004
36,778,405	45,857,661
949,363	1,498,435
672,770	623,457
8,937,090	5,514,566
16,925,898	21,301,803
9,422,427	8,682,097
-	1,802,150
14,847,649	26,845,322
4,680,000	4,145,000
5,503,398	4,679,051
61,938,595	75,091,881
(25,160,190)	(29,234,220)
15,000,000	-
-	-
13,187,459	8,544,438
(5,053,548)	(3,915,129)
-	-
23,133,911	4,629,309
(2,026,279)	(24,604,911)
80,084,796	104,689,707
$ 78,058,517	$ 80,084,796

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Proprietary Funds

City of Fremont
Combining Statement of Net Assets
Proprietary Fund Type
June 30, 2011
(With comparative totals for June 30, 2010)

	Internal Service Funds			
			Totals	
	Risk Management	Information Technology	2011	2010
ASSETS				
Current assets:				
Cash and investments held by City	$ 12,686,222	$ 5,160,874	$ 17,847,096	$ 16,066,400
Other receivables	-	157,269	157,269	187,207
Total current assets	12,686,222	5,318,143	18,004,365	16,253,607
Noncurrent assets:				
Depreciable assets	-	8,985,907	8,985,907	8,921,774
Less accumulated depreciation	-	(6,501,301)	(6,501,301)	(6,276,201)
Land held for resale	2,821,430	-	2,821,430	2,821,430
Total noncurrent assets	2,821,430	2,484,606	5,306,036	5,467,003
Total assets	15,507,652	7,802,749	23,310,401	21,720,610
LIABILITIES				
Current liabilities:				
Accounts payable	129,138	92,998	222,136	121,532
Salaries and wages payable	40,729	93,808	134,537	112,597
Claims payable	4,646,000	-	4,646,000	5,007,000
Total current liabilities	4,815,867	186,806	5,002,673	5,241,129
Noncurrent liabilities:				
Claims payable	9,060,000	-	9,060,000	8,581,000
Total noncurrent liabilities	9,060,000	-	9,060,000	8,581,000
Total liabilities	13,875,867	186,806	14,062,673	13,822,129
NET ASSETS				
Invested in capital assets	-	2,484,606	2,484,606	2,645,573
Unrestricted	1,631,785	5,131,337	6,763,122	5,252,908
Total net assets	$ 1,631,785	$ 7,615,943	$ 9,247,728	$ 7,898,481

City of Fremont
Combining Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Internal Service Funds			
			Totals	
	Risk Management	Information Technology	2011	2010
OPERATING REVENUES:				
Charges for services	$ 7,530,231	$ 5,500,214	$ 13,030,445	$ 12,631,878
Other	42,036	25,067	67,103	66,971
Total operating revenues	7,572,267	5,525,281	13,097,548	12,698,849
OPERATING EXPENSES:				
Salaries and wages	462,298	2,513,123	2,975,421	3,116,648
Insurance premiums	840,153	-	840,153	809,851
Provision for claim losses	5,550,373	-	5,550,373	5,492,170
Claims administration	288,082	-	288,082	250,868
Materials and supplies	9,453	1,226,209	1,235,662	1,263,431
Depreciation	-	256,272	256,272	272,127
Other	-	60,876	60,876	58,668
Total operating expenses	7,150,359	4,056,480	11,206,839	11,263,763
OPERATING INCOME	421,908	1,468,801	1,890,709	1,435,086
NONOPERATING REVENUES (EXPENSES):				
Investment income	173,674	60,701	234,375	311,273
Total nonoperating revenues (expenses)	173,674	60,701	234,375	311,273
Transfers in	8,532	29,577	38,109	77,607
Transfers out	(2,040)	(811,906)	(813,946)	(784,078)
INCREASE IN NET ASSETS	602,074	747,173	1,349,247	1,039,888
NET ASSETS:				
Beginning of year	1,029,711	6,868,770	7,898,481	6,858,593
End of year	$ 1,631,785	$ 7,615,943	$ 9,247,728	$ 7,898,481

City of Fremont

Combining Statement of Cash Flows

Proprietary Fund Type

For the year ended June 30, 2011

(With comparative totals for the year ended June 30, 2010)

	Internal Service Funds			
			Totals	
	Risk Management	Information Technology	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from users	$ 7,530,231	$ 5,530,152	$ 13,060,383	$ 12,597,725
Other revenue	42,036	25,067	67,103	66,971
Less: Payments to suppliers	(1,100,466)	(1,162,827)	(2,263,293)	(2,797,873)
Payments for employees services	(459,976)	(2,493,505)	(2,953,481)	(3,132,246)
Payments for claims paid	(5,432,373)	-	(5,432,373)	(3,902,170)
Payments to others	-	(60,875)	(60,875)	(58,668)
Net cash provided by operating activities	579,452	1,838,012	2,417,464	2,773,739
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on cash and investments	173,674	60,701	234,375	311,273
Net cash provided by investing activities	173,674	60,701	234,375	311,273
CASH FLOWS FROM CAPITAL ACTIVITIES:				
Acquisition of capital assets	-	(95,306)	(95,306)	(164,657)
Net cash (used) by capital activities	-	(95,306)	(95,306)	(164,657)
CASH FLOWS FROM NON-CAPITAL ACTIVITIES:				
Transfers in	8,532	29,577	38,109	77,607
Transfers out	(2,040)	(811,906)	(813,946)	(784,078)
Net cash provided (used) by noncapital activities	6,492	(782,329)	(775,837)	(706,471)
Net increase in cash and cash investments	759,618	1,021,078	1,780,696	2,213,884
CASH AND INVESTMENTS:				
Beginning of year	11,926,604	4,139,796	16,066,400	13,852,516
End of year	$ 12,686,222	$ 5,160,874	$ 17,847,096	$ 16,066,400
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ 421,908	$ 1,468,801	$ 1,890,709	$ 1,435,086
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	256,272	256,272	272,127
Changes in assets and liabilities:				
Accounts receivable	-	29,938	29,938	(34,153)
Accounts payable	37,222	63,383	100,605	(473,723)
Salaries and wages payable	2,322	19,618	21,940	(15,598)
Claims payable	118,000	-	118,000	1,590,000
Net cash provided by operating activities	$ 579,452	$ 1,838,012	$ 2,417,464	$ 2,773,739

Agency Funds

Agency Funds

Agency Funds are used to account for assets held by the City on behalf of others as their agent. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve measurement of results of operations. Specific agency funds are as follows:

Local Improvement Districts – Special assessment bonds were issued by local improvement districts under various public improvement acts of the State of California and are secured by liens against properties deemed to have been benefited by the improvements for which the bonds were issued. The City acts as an agent in collecting the assessments from the property owners, forwarding the collections to bondholders, and initiating foreclosure proceedings when necessary. This fund also accounts for the City of Fremont Community Facilities District No. 1. $30 million Series 2001 bonds and $38 million Series 2005 bonds which were issued to finance the public improvements at Pacific Commons. The 2001 and 2005 Series bonds each have a series of maturities of up to 30 years and have a weighted average fixed interest rate of 6.11% (Series 2001) and 5.33% (Series 2005).

Performance Bonds, Deposits and Confiscated Assets – This fund accounts for bonds and deposits received in conjunction with construction activity within the City, assets confiscated by the police and other deposits, held by the City in a fiduciary capacity.

Tri-City Waste Facility Financing Authority – This fund accounts for the revenue bonds issued by the cities of Fremont, Newark and Union City to pay for the cities' share of the future landfill closing costs of the Durham Road Landfill. The outstanding bonds were paid in full during the third quarter of fiscal year 2009/10.

Southern Alameda County GIS – This fund accounts for monies collected from participating agencies for the administration of the program. The City of Fremont is the administrator of the Geographic Information System which serves the participating agencies. The program operates under a JPA that was approved by the City of Fremont, City of Union City, City of Newark, Union Sanitary District and Alameda County Water District. The City of Union City was a member agency last fiscal year and elected to withdraw effective February 2011.

City of Fremont
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(With comparative totals for June 30, 2010)

	Local Improvement Districts	Performance Bonds, Deposits and Confiscated Assets	Tri-City Waste Facility Financing Authority	Southern Alameda County GIS	Total 2011	Total 2010
All Agency Funds						
Assets:						
Cash and investments held by City	$ 10,196,085	$ 1,199,049	$ -	$ -	$ 11,395,134	$ 14,403,877
Restricted cash and investments held by fiscal agent	7,190,260	-	-	-	7,190,260	8,357,971
Accounts receivable	-	9,819	-	13,571	23,390	636,922
Other receivables	4,460	-	-	-	4,460	59,982
Total assets	$ 17,390,805	$ 1,208,868	$ -	$ 13,571	$ 18,613,244	$ 23,458,752
Liabilities:						
Accounts payable	$ -	$ 4,516	$ 504,419	$ -	$ 508,935	$ 1,083,627
Cash overdraft	-	-	-	1,657	1,657	47,953
Deposits	17,390,805	1,204,352	(504,419)	11,914	18,102,652	22,327,172
Total liabilities	$ 17,390,805	$ 1,208,868	$ -	$ 13,571	$ 18,613,244	$ 23,458,752

City of Fremont
Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Local Improvement Districts				
Assets:				
Cash and investments held by City	$ 13,645,422	$ 11,693,666	$ (15,143,003)	$ 10,196,085
Restricted cash and investments held by fiscal agent	8,357,971	6,554,307	(7,722,018)	7,190,260
Other receivables	59,982	2,350,101	(2,405,623)	4,460
Total assets	$ 22,063,375	$ 20,598,074	$ (25,270,644)	$ 17,390,805
Liabilities:				
Deposits	$ 22,063,375	$ 24,919,462	$ (29,592,032)	$ 17,390,805
Total liabilities	$ 22,063,375	$ 24,919,462	$ (29,592,032)	$ 17,390,805
Performance Bonds, Deposits and Confiscated Assets				
Assets:				
Cash and investments held by City	$ 758,455	$ 1,055,339	$ (614,745)	$ 1,199,049
Accounts receivable	574,656	734,102	(1,298,939)	9,819
Total assets	$ 1,333,111	$ 1,789,441	$ (1,913,684)	$ 1,208,868
Liabilities:				
Accounts payable	$ 100,676	$ 437,997	$ (534,157)	$ 4,516
Deposits	1,232,435	1,200,451	(1,228,534)	1,204,352
Total liabilities	$ 1,333,111	$ 1,638,448	$ (1,762,691)	$ 1,208,868
Tri-City Waste Financing Authority				
Assets:				
Cash and investments held by City	$ -	$ 440,326	$ (440,326)	$ -
Total assets	$ -	$ 440,326	$ (440,326)	$ -
Liabilities:				
Accounts Payable	$ 982,951	$ -	$ (478,532)	$ 504,419
Deposits	(982,951)	478,532	-	(504,419)
Total liabilities	$ -	$ 478,532	$ (478,532)	$ -

(Continued)

City of Fremont
Statement of Changes in Assets and Liabilities
Agency Funds, Continued
For the year ended June 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
Southern Alameda County GIS				
Assets:				
Accounts receivable	$ 62,266	$ 13,571	$ (62,266)	$ 13,571
Total assets	$ 62,266	$ 13,571	$ (62,266)	$ 13,571
Liabilities:				
Accounts payable	$ -	$ 2,030	$ (2,030)	$ -
Cash overdraft	47,953	-	(46,296)	1,657
Deposits	14,313	-	(2,399)	11,914
Total liabilities	$ 62,266	$ 2,030	$ (4,429)	$ 13,571
Total Agency Funds				
Assets:				
Cash and investments held by City	$ 14,403,877	$ 13,189,331	$ (16,198,074)	$ 11,395,134
Restricted cash and investments held by fiscal agent	8,357,971	6,554,307	(7,722,018)	7,190,260
Accounts receivables	636,922	747,673	(1,361,205)	23,390
Other receivables	59,982	2,350,101	(2,405,623)	4,460
Total assets	$ 23,458,752	$ 22,841,412	$ (27,686,920)	$ 18,613,244
Liabilities:				
Accounts payable	$ 1,083,627	$ 440,027	$ (1,014,719)	$ 508,935
Cash overdraft	47,953	-	(46,296)	1,657
Deposits	22,327,172	26,598,445	(30,822,965)	18,102,652
Total liabilities	$ 23,458,752	$ 27,038,472	$ (31,883,980)	$ 18,613,244

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Human Services Fund

Human Services Fund

The Human Services Fund is a special revenue fund used to account for revenues from federal, state, and local sources that, by law or administrative action, are designated to sustain the City's social service infrastructure to promote a healthy and safe environment for families, the elderly, and youth. Services and programs include self-sufficiency, counseling, and housing assistance. The individual sub-funds included in the Human Services Fund are as follows:

Community Development Block Grant – This fund accounts for grants from the U.S. Department of Housing and Urban Development for the primary purpose of developing viable urban communities.

HUD/HOPE Grant – This fund accounts for monies received through the Housing Authority of Alameda County from the Department of Housing and Urban Development (HUD) for special Housing Opportunities for the People Everywhere (HOPE) grant. Case management is provided to enable functionally impaired older persons to obtain services that promote and maintain their optimum levels of functioning.

HUD/SHP Grant – This fund accounts for funds from the Department of Housing and Urban Development to implement the Homeless Outreach for People Empowerment project.

Older Americans Grant – This fund accounts for federal grant monies received under the Older Americans Act. Case management is provided to enable functionally impaired older persons to obtain services.

Tri-City Elders – The Tri-City Elders Coalition works to identify and effectively meet the needs of seniors to enable them to remain independent in their own homes and communities. This is accomplished through advocacy, education, resource coordination and information sharing.

Senior Services – This fund accounts for revenues and expenditures for programs conducted by the Senior Citizens Center.

Multipurpose Senior Services Program (MSSP) – This fund accounts for monies received from the State Department of Aging (via Federal pass-through) to provide services aimed at allowing frail elders to remain in their homes.

Area Agency on Aging MSSP – This fund accounts for monies received from the State Department of Aging (via County pass-through) to provide services aimed at allowing frail elders to remain in their homes.

Alameda County Senior Mobile Mental Health – This fund accounts for the monies received from the Alameda County Behavioral Health Care Services Department to support a multi-disciplinary team approach to mobile mental health services provided to homebound isolated seniors.

Family Resource Center – This fund accounts for monies received from leases at the Family Resource Center. This revenue is used for maintenance and operating costs of the center.

Haas Grant – This fund accounts for monies from the Evelyn and Walter Haas, Jr. Fund for the Family Resource Center. Funds are used for several FRC program areas.

Youth Service Center – This fund accounts for Youth Service Center grants received from the State Council for Criminal Justice.

Every Child Counts Grant – This fund accounts for monies allocated through Alameda County from State Proposition 10 (tobacco taxes) to support early childhood programs in Youth and Family Services.

Alameda Behavioral Health Care – This fund accounts for the monies used to support a multi-disciplinary team approach to family support at the Family Resource Center.

Measure B Para-Transit – Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related expenditures. This fund accounts for the portion of these monies used to partially fund the City's paratransit program.

Miscellaneous Donations and Grants – This fund accounts for donations that support Human Services Department programs, as well as small grants given to Human Services by private contributors.

Human Services Operating – This fund accounts for the administrative staff and operating expenditures necessary to administer the above funds.

City of Fremont
Supplemental Information
Summary of Human Services Balance Sheet
June 30, 2011
(With comparative totals for June 30, 2010)

	Community Development Block Grant	HUD/HOPE Grant	HUD/SHP Grant	Older Americans Grant
ASSETS				
Cash and investments held by City	$ -	$ 6,211	$ -	$ -
Restricted cash and investments				
held by fiscal agent	-	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	811,171	-	147,810	14,582
Housing rehabilitation loans, net	1,481,712	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	$ 2,292,883	$ 6,211	$ 147,810	$ 14,582
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 441,998	$ -	$ 65,043	$ -
Salaries and wages payable	12,860	-	-	-
Due to other funds	369,910	-	82,767	14,582
Other liabilities	-	-	-	-
Deferred revenue	1,468,115	-	-	-
Total liabilities	2,292,883	-	147,810	14,582
Fund Balances:				
Restricted for social service programs	-	6,211	-	-
Committed for social service programs	-	-	-	-
Total fund balances	-	6,211	-	-
Total liabilities and fund balances	$ 2,292,883	$ 6,211	$ 147,810	$ 14,582

Tri-City Elders	Senior Services	Multipurpose Senior Services Program	Area Agency on Aging MSSP	Alameda County Senior Mobile Mental Health	Family Resource Center	Haas Grant
$ 152,795	$ 275,027	$ -	$ -	$ -	$ 3,525,500	$ 3,584
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	7,500	78,052	30,546	98,276	176,287	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-		-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 152,795	$ 282,527	$ 78,052	$ 30,546	$ 98,276	$ 3,701,787	$ 3,584
$ 627	$ 9,101	$ 1,195	$ -	$ 1,286	$ 6,689	$ -
-	17,931	-	-	-	43,481	-
-	-	76,857	30,546	96,990	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
627	27,032	78,052	30,546	98,276	50,170	-
152,168	-	-	-	-	3,651,617	3,584
-	255,495	-	-	-	-	-
152,168	255,495	-	-	-	3,651,617	3,584
$ 152,795	$ 282,527	$ 78,052	$ 30,546	$ 98,276	$ 3,701,787	$ 3,584

(Continued)

City of Fremont
Supplemental Information
Summary of Human Services Balance Sheet, continued
June 30, 2011
(With comparative totals for June 30, 2010)

	Youth Service Center	Every Child Counts Grant	Alameda Behavioral Health Care	Measure B Para-Transit
ASSETS				
Cash and investments held by City	$ -	$ 317,468	$ -	$ -
Restricted cash and investments				
held by fiscal agent	-	-	-	-
Receivables:				
Property tax	-	-	-	-
Due from other governmental agencies	212,007	345,641	96,401	272,702
Housing rehabilitation loans, net	-	-	-	-
Accrued interest	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	$ 212,007	$ 663,109	$ 96,401	$ 272,702
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ 154	$ -	$ 46,696
Salaries and wages payable	-	-	-	1,510
Due to other funds	212,007	-	96,401	75,076
Other liabilities	-	-	-	-
Deferred revenue	-	8,576	-	-
Total liabilities	212,007	8,730	96,401	123,282
Fund Balances:				
Restricted for social service programs	-	654,379	-	149,420
Committed for social service programs	-	-	-	-
Total fund balances	-	654,379	-	149,420
Total liabilities and fund balances	$ 212,007	$ 663,109	$ 96,401	$ 272,702

Miscellaneous Donations and Grants	Human Services Operating	Total Summary of Human Services Funds 2011	2010
$ 878,341	$ 944,817	$ 6,103,743	$ 5,126,826
-	-	-	-
-	-	-	-
145,503	-	2,436,478	2,669,473
-	-	1,481,712	1,465,151
-	-	-	194,191
-	34,977	34,977	135,430
-	-	-	-
-	-	-	-
$ 1,023,844	$ 979,794	$ 10,056,910	$ 9,591,071
$ 1,587	$ 43,767	$ 618,143	$ 371,271
-	162,185	237,967	61,163
-		1,055,136	1,742,153
-		-	-
-		1,476,691	1,740,531
1,587	205,952	3,387,937	3,915,118
1,022,257	-	5,639,636	5,491,394
-	773,842	1,029,337	184,559
1,022,257	773,842	6,668,973	5,675,953
$ 1,023,844	$ 979,794	$ 10,056,910	$ 9,591,071

(Concluded)

City of Fremont
Supplemental Information
Summary of Human Services Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Community Development Block Grant	HUD/HOPE Grant	HUD/SHP Grant	Older Americans Grant
REVENUES:				
Property tax	$ -	$ -	$ -	$ -
Charges for services	-	-	-	-
Intergovernmental	1,585,363	-	269,790	44,568
Investment earnings	-	-	-	-
Other	86,880	-	-	-
Total revenues	1,672,243	-	269,790	44,568
EXPENDITURES:				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	303,501	-	-	44,568
Capital assets maintenance and operations	-	-	-	-
Community development and	-			
environmental services	1,348,732	-	269,475	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,652,233	-	269,475	44,568
REVENUES OVER (UNDER) EXPENDITURES	20,010	-	315	-
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(20,010)	-	(315)	-
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	(20,010)	-	(315)	-
Net change in fund balances	-	-	-	-
FUND BALANCES:				
Beginning of year	-	6,211	-	-
End of year	$ -	$ 6,211	$ -	$ -

Tri-City Elders	Senior Services	Multipurpose Senior Services Program	Area Agency on Aging MSSP	Alameda County Senior Mobile Mental Health	Family Resource Center	Haas Grant
$ -	$ -	$ -	$ -	$ -	$ -	$ -
6,215	137,376	-	-	28,934	1,088,861	-
-	-	235,675	144,854	411,477	99,053	-
2,449	-	-	-	-	50,393	-
29,194	295,032	-	-	-	268,798	-
37,858	432,408	235,675	144,854	440,411	1,507,105	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
33,141	779,886	235,675	144,412	404,254	607,906	-
-	-	-	-	-	205,986	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	248,655	-
33,141	779,886	235,675	144,412	404,254	1,062,547	-
4,717	(347,478)	-	442	36,157	444,558	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	429,813	-	-	-	139,878	-
-	(11,399)	-	(4,006)	(36,864)	(857,067)	-
-	-	-	-	-	-	-
-	418,414	-	(4,006)	(36,864)	(717,189)	-
4,717	70,936	-	(3,564)	(707)	(272,631)	-
147,451	184,559	-	3,564	707	3,924,248	3,584
$ 152,168	$ 255,495	$ -	$ -	$ -	$ 3,651,617	$ 3,584

(Continued)

City of Fremont
Supplemental Information, continued
Summary of Human Services Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Youth Service Center	Every Child Counts Grant	Alameda Behavioral Health Care	Measure B Para-Transit
REVENUES:				
Property tax	$ -	$ -	$ -	$ -
Charges for services	-	-	-	29,326
Intergovernmental	421,661	886,360	234,076	760,092
Investment earnings	-	-	-	1,122
Other	-	-	-	-
Total revenues	421,661	886,360	234,076	790,540
EXPENDITURES:				
Current:				
Police services	-	-	-	-
Fire services	-	-	-	-
Human services	421,661	798,660	217,442	746,977
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	-	-	-	-
Intergovernmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	421,661	798,660	217,442	746,977
EXPENDITURES	-	87,700	16,634	43,563
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	-	-
Premium on debt issuance	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(61,087)	(16,634)	(19,200)
Payment to escrow agent	-	-	-	-
Total other financing sources (uses)	-	(61,087)	(16,634)	(19,200)
Net change in fund balances	-	26,613	-	24,363
FUND BALANCES:				
Beginning of year	-	627,766	-	125,057
End of year	$ -	$ 654,379	$ -	$ 149,420

Miscellaneous Donations and Grants	Human Services Operating	Total Summary of Human Services Revenues, Expenditures, and Changes in Fund Balances 2011	2010
$ -	$ -	$ -	$ -
10,065	188,187	1,488,964	1,654,982
428,698	16,780	5,538,447	4,819,063
-	4,322	58,286	90,850
46,355	32,456	758,715	521,417
485,118	241,745	7,844,412	7,086,312
-		-	-
-		-	-
227,262	3,112,175	8,077,520	4,909,349
-		205,986	55,345
-		1,618,207	1,516,187
-		-	-
-		-	-
-		-	-
-		248,655	72,162
227,262	3,112,175	10,150,368	6,553,043
257,856	(2,870,430)	(2,305,956)	533,269
-	-	-	-
-	-	-	-
113,747	3,990,682	4,674,120	457,705
(2,152)	(346,410)	(1,375,144)	(750,018)
-	-	-	-
111,595	3,644,272	3,298,976	(292,313)
369,451	773,842	993,020	240,956
652,806	-	5,675,953	5,434,997
$ 1,022,257	$ 773,842	$ 6,668,973	$ 5,675,953

(Concluded)

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

APPENDIX B

FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

City Council of the
City of Fremont
3300 Capitol Avenue
Fremont, California 94538

OPINION: $8,415,000* City of Fremont (Alameda County, California) 2012 General Obligation Refunding Bonds

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Members of the City Council:

We have acted as bond counsel to the City of Fremont (the "City") in connection with the issuance by the City of $8,415,000* principal amount of its City of Fremont (Alameda County, California) 2012 General Obligation Refunding Bonds (the "Bonds"), pursuant to Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), a resolution adopted by the City Council of the City on December 20, 2011 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Council contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The City is duly created and validly existing as a municipal corporation and general law city with the power to issue the Bonds and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the City Council of the City and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Council and the Bonds are valid and binding general obligations of the City. The Council is required to levy a tax upon all taxable property in the City for the interest and redemption of all outstanding bonds of the City, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

5. Subject to the City's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such City covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

*Preliminary, subject to change.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF FREMONT (the "City") in connection with the issuance of $8,415,000* City of Fremont 2012 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the City Council of the City on December 20, 2011 (the "Resolution"). Pursuant to Section 5.07 of the Resolution, the City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"*Annual Report*" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. In the absence of such a designation, the City shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean any original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for the 2011-12 Fiscal Year, which is due not later than March 31, 2013, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial

*Preliminary, subject to change.

statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City.

(d) *Report of Non-Compliance*. If the City is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the City shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the City is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. <u>Content of Annual Reports</u>. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the City for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statement of the City, the Annual Report shall also include operating data with respect to the City for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds describing assessed valuations and tax collection records.

(c) *Cross References.* Any or all of such items may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on EMMA. The City shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. <u>Reporting of Listed Events</u>.

(a) *Reportable Events.* The City shall, or shall cause the Dissemination Agent (if not the City) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Unscheduled draws on debt service reserves reflecting financial difficulties.

(3) Unscheduled draws on credit enhancements reflecting financial difficulties.

(4) Substitution of credit or liquidity providers, or their failure to perform.

(5) Defeasances.

(6) Rating changes.

(7) Tender offers.

(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.

(2) Modifications to rights of security holders.

(3) Bond calls.

(4) The release, substitution, or sale of property securing repayment of the securities.

(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Resolution.

Section 6. <u>Identifying Information for Filings with EMMA</u>. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. <u>Termination of Reporting Obligation</u>. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the City, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the City. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Certificate owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the City shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the City.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the City, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the City or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the City. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the City to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the City under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Certificate owners in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Certificate owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the City shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Bond owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Resolution. The obligations of the City under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

CITY OF THE CITY OF FREMONT

By ____

Harriet V. Commons
Finance Director

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of Fremont

Name of Issue: City of Fremont 2012 General Obligation Refunding Bonds

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated May 15, 2012, furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _________________.

Date: ________________

CITY OF FREMONT, Dissemination Agent

By ____

Authorized Officer