PRELIMINARY OFFICIAL STATEMENT DATED JUNE 20, 2013

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, Larkspur, 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.*

$22,940,000*
CITY OF FREMONT
(Alameda County, California)
2013 GENERAL OBLIGATION REFUNDING BONDS

CITY OF Fremont

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

The 2013 General Obligation Refunding Bonds (the "Bonds") are issued by the City of Fremont (the "City") to refund the City's General Obligation Bonds, Election of 2002, Series B (Fire Safety Project), 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 **"GENERAL CITY FINANCIAL INFORMATION."** Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2014. 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, 2021, are not subject to optional redemption; the Bonds due on and after August 1,2022 are subject to optional redemption on or after August 1, 2021 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 (Aug. 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix	Maturity (Aug. 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix
2014					2025				
2015					2026				
2016					2027				
2017					2028				
2018					2029				
2019					2030				
2020					2031				
2021					2032				
2022					2033				
2023					2034				
2024									

Bids for the purchase of the Bonds will be received by the City on July 9, 2013, 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 June 20, 2013. 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 August 9, 2013.

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: J __, 2013.

[(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.*

*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

Bill Harrison
Mayor

Anu Natarajan
Vice Mayor

Vinnie Bacon
Council Member

Suzanne Lee Chan
Council Member

Raj Salwan
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
Larkspur, 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

$22,940,000*
CITY OF FREMONT
(Alameda County, California)
2013 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 $22,945,000* principal amount of City of Fremont (Alameda County, California) 2013 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 217,700. 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", "GENERAL CITY FINANCIAL INFORMATION"** 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 B (the "Series B Bonds") maturing on or after August 1, 2014 (the "Refunded Bonds"), and pay costs of issuance of the Bonds. See **"THE BONDS — Purpose of Issue."**

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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 October 16, 2012 (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 February 1, 2014, 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, 2022 may be redeemed prior to maturity at the option of the City beginning on August 1, 2021, 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 August 9, 2013.

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 Bonds 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 Article 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 have since been issued. The City of Fremont General Obligation Bonds, Election of 2002, Series A Bonds were issued in the amount of $10,000,000 on July 17, 2003 (the "Series A Bonds"), 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 were issued in the amount of $16,000,000 on February 11, 2009 (the "Series C Bonds"). All series were issued to fund fire station modernization and construction or other public safety projects. On May 10, 2012, the City issued its 2012 General Obligation Refunding Bonds, refunding all Series A Bonds maturing on and after August 1, 2013. See **"THE BONDS — Debt Service"** herein.

Purpose of Issue

Pursuant to a Paying Agent Agreement by and between the City and the Paying Agent dated as of August 9, 2013, a portion of the proceeds of the Bonds will be used to fund redemption of the Refunded Bonds on August 9, 2013 (the "Redemption Date") by payment of $22,389,689.25, comprised of $22,145,000.00 outstanding principal amount of the Refunded Bonds plus a redemption premium of $221,450.00 plus accrued interest on the Refunded Bonds of $23,239.25 (the "Redemption Price"). Conditional notice of redemption of the Refunded Bonds in the amount of the Redemption Price on the Redemption Date will by sent on or before 30 days prior to the Redemption Date to the owners of the Refunded 2005 Bonds by the Paying Agent pursuant to a request by the City.

A portion of the proceeds of the Bonds will be deposited into a "City of Fremont (Alameda County, California) 2013 General Obligation Refunding Bonds, Series B Costs of Issuance Fund" (the "Costs of Issuance Fund"), held and administered by the Paying Agent pursuant to the Resolution, and will be used to pay costs of issuance with respect to the Bonds. Any remaining proceeds of the Bonds not expended on February 1, 2014 will be transferred to the City to be applied towards debt service on the Bonds, and the Costs of Issuance Fund will be closed.

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]	
Deposit to Escrow Fund	
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 **"GENERAL CITY FINANCIAL INFORMATION"** and **"THE CITY"** , respectively, 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 February 1, 2014 (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, 2013, 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
2014	$1,569,375.00				
2015	1,581,525.00				
2016	1,587,350.00				
2017	1,591,406.25				
2018	1,593,437.50				
2019	1,590,612.50				
2020	1,583,912.50				
2021	1,581,412.50				
2022	1,575,812.50				
2023	1,571,912.50				
2024	1,566,762.50				
2025	1,565,237.50				
2026	1,562,212.50				
2027	1,562,612.50				
2028	1,561,028.13				
2029	1,557,403.13				
2030	1,556,887.50				
2031	1,554,093.75				
2032	1,558,806.25				
2033	1,556,200.00				
2034	1,020,087.50				
2035	1,025,462.50				
2036	1,028,587.50				
2037	1,028,896.88				
2038	1,031,234.38				
2039	1,035,881.25				
TOTAL	$37,598,150.02				

[(a)] Aggregate debt service of City general obligation bonds excluding the Refunded Bonds.

Redemption

Optional Redemption

The Bonds maturing on or before August 1, 2021, are non-callable. The Bonds maturing on August 1, 2022, 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, 2021 (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, 2021 through July 31, 2022	101%
August 1, 2022 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, with the exception of certain public utility properties that are assessed by the State Board of Equalization. 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, normally 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; (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; and (c), since November 2000, on any bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, approved by fifty-five percent of the voters of the district or county, as appropriate, voting on the proposition (issuing such school bonds requires certain reporting, accountability and projected tax rate requirements be satisfied as well).

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 non-exempt property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, provided that the owner files and qualifies 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 household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories and real property used for religious, non-profit hospital, scientific and charitable purposes; 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, nor is local government property located within the jurisdiction of that local government.

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 real property and other real 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, including personal property and leasehold interests. 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.

Ongoing 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, may cause 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 *ad valorem* tax rates and debt capacity for any local agency general obligation bonds.

Tax Levies, Collections and Delinquencies

Secured property tax rates are set annually by the first business day of September for the levy of property taxes in that tax year. The levy is payable in two equal installments due November 1 and February 1, and payments become delinquent if not postmarked or paid by end of the 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 effectively 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, plus a charge of $10 if unpaid after April 10. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted if not paid by June 30 of the same fiscal year. Such property may thereafter be redeemed by payment of (a) the delinquent taxes, (b) the 10% penalty, (c) the $10 charge, (d) an additional penalty of 1.5% per month (18% annualized rate) from July 1 to the time of redemption and (e) a redemption fee of $15 per parcel, $5 of which goes to the State (collectively, the "Redemption Amount"). Properties may be redeemed under an installment plan of paying the Redemption Amount in five equal installments over a period of four years. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax defaulted. If taxes are unpaid five years after the property becomes tax defaulted or, if an installment plan is in place, then at the end of the installment plan, the County can initiate a "power to sell" procedure for the County Tax Collector to sell the property at auction. Alternatively, in certain instances the County may institute a superior court action to foreclose the lien on the property; if the lawsuit is successful, the property may be sold at a judicial foreclosure sale.

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 the bill is 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. The City's current transient occupancy tax is 10%.

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. Under SB 89/AB 118, effective July 1, 2011, all city VLF revenues were shifted to fund law enforcement grants, previously paid from various State revenues. The League of California Cities on September 4, 2011 filed a lawsuit scheduled to be heard in Sacramento Superior Court challenging the diversion of VLF from local governments; this litigation is still in process and the outcome 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, widely referred to 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 from other local cities, counties and taxing agencies a portion of their property tax revenue to the Education Revenue Augmentation Fund in each county ("ERAF") for subsequent funding allocation to school districts. The State then paid to each such local agency the same dollar amount lost. Reduction in ERAF funding of school districts, to the extent necessary to meet State revenue limit funding requirements for school districts, is offset by the State dollar for dollar by increasing apportionments to school districts from State general funds.

Proposition 1A - Protection of Local Revenue

At the November 2004 election, State voters approved Proposition 1A, an amendment to the State constitution to protect local property tax, sales tax and vehicle license fee revenues. The measure prohibits the Legislature from taking any action that would reduce the local Sales and Use Tax rate or alter its method of allocation, decrease the vehicle license rate without providing replacement funding to cities and counties, or shift property taxes from cities, counties, or special districts to schools or other non-local government function except under certain circumstances. Under specific conditions the Legislature may suspend the property tax revenue protection provisions of Proposition 1A and "borrow" not more than 8% of total property tax revenues if the Governor issues a proclamation of several fiscal hardship, the Legislature suspends Proposition 1A protection with a two-thirds vote of each house, and a law is enacted providing for full repayment of the borrowed funds plus interest within three years. The Legislature may not enact such a suspension more than twice in any ten year period, and only if the borrowing has been repaid.

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 long-term effect will be an increase in the State's general fund costs by approximately $1 billion annually for several decades. Despite Proposition 22, in 2012 the State disestablished all redevelopment agencies with the effect that all redevelopment project area tax increment revenue not required for continuing "enforceable obligations", previously established by a project area's redevelopment agency, flows to that project area's local taxing agencies as normal property tax revenue (see **"THE CITY - Redevelopment Agency of the City of Fremont"** herein).

Proposition 30 - Voter Approved State Tax Increase for Schools

Proposition 30, *The Schools and Local Public Safety Protection Act*, approved by the voters of the State on November 6, 2012 election, increased the maximum marginal State personal income tax rate of 9.3% with three tax brackets (the lowest of which applies to individual filers with incomes of $250,000, joint filers with incomes of $500,000 and head of household filers with incomes of $340,000) that impose additional tax rates of 1%, 2% and 3%, respectively, for a period of seven years, and increased the sales tax by one-quarter percent for a period of four years. Proposition 30 allocates 89% of the revenues generated from these tax increases to funding K-12 school districts and 11% to funding community college districts. Proposition 30 has no affect on city, county or non-school special district revenues, but does offset State general fund spending on schools, or as the *California State Budget 2012-13* described it, prevented cuts in proposed State general fund spending on schools.

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 majority vote in each house of the State legislature and submitted to the Governor. However, revenue measures, in or out of the budget, require two-thirds approval in each house in order to be 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.

2012/13 Budget

The Governor released his proposed budget for 2012/13 on January 5, 2012, his *Governor's Budget May Revision 2012-13* on May 14, 2012 and the *California State Budget 2012-13* (the "2012/13 Budget") was enacted on June 28, 2012. The 2012/13 Budget addresses an otherwise projected $15.69 billion budget gap by the end of 2012/13 with a program of $16.64 billion in expenditure reductions and revenue increases, with a $948 million ending balance in a "Special Fund for Economic Uncertainty" as of June 30, 2013. The 2012/13 Budget cuts funding for a variety of State agencies, programs and services in an aggregate amount of $8.09 billion, assumes $6.03 billion in revenue increases and assumes $2.52 billion in other adjustments to reach a projected positive ending balance for 2012/13. Of the $6.03 billion increase in revenue, $5.58 billion depended on new tax measures under Proposition 30, approved by State-wide ballot on November 6, 2012.

For the State's general fund, the 2012/13 Budget reported for 2011/12 prior year resources available of ($2.685) billion and projects revenues and transfers-in of $86.830 billion, for a total of $84.145 billion in total resources available; and for 2012/13 projects prior year resources available of ($2.882) billion and revenues and transfers-in of $95.887 billion, for a total of $93.005 billion in total resources available. General fund expenditures are projected to be $87.027 billion for 2011/12 and $91.338 billion for 2012/13, with general fund ending balances of ($2.882) billion and $1.667 billion (includes "Special Fund for Economic Uncertainty"), respectively.

In his *May 2013 Statement of General Fund Cash Receipts and Disbursements*, the State Controller reported that the State's general fund negative cash balance, which was at ($9.59 billion) at the beginning of 2012/13, had decreased to ($7.50 billion) as of May 31, 2013.

Proposed 2013/14 Budget

The Governor released his proposed budget for 2013/14 on January 10, 2013 and his *Governor's Budget May Revision 2013-14* on May 14, 2013 (together, the "2013/14 Budget"). For the State's general fund, the 2013/14 Budget reports 2012/13 prior year resources available of ($1.658) billion and projects 2012/13 revenues and transfers-in of $98.195 billion, for a total of $96.537 billion in total resources available; and for 2013/14 projects prior year resources available of $850 million and revenues and transfers-in of $97.235 billion, for a total of $98.085 billion in total resources available. General fund expenditures are projected to be $95.687 billion for 2012/13 and $98.085 billion for 2013/14, with general fund ending balances of $850 million and $1.732 billion, respectively. Ending balances include a "Special Fund for Economic Uncertainty" of $232 million at year end 2012/13 and $1.114 billion at year end 2013/14.

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"** 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 of Fremont, incorporated in 1956, is located at the southeast end of the San Francisco Bay and is the fourth largest city in the Bay Area. The City contains 92 square miles and serves a population of just over 215,000.

Fremont is a general law city and has operated under the council-manager form of government since its incorporation. Policy-making and legislative authority are vested in a five-member City Council consisting of the Mayor and four Council members. The City Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two Council members elected every two years. The mayor is elected to serve a four-year term. The Mayor and Council members are elected at large and all are subject to a two-term limit.

The City Council is responsible for, among other things, passing ordinances, adopting the budget, approving the Mayor's nominees to commissions, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The City of Fremont provides a broad range of services, including police and fire protection, construction and maintenance of streets, parks, storm drains and other infrastructure, building inspections, licenses and permits, recreational and cultural activities, and human services programs. The City also manages franchise for solid waste, cable television, and energy.

Fremont is the second largest city in Silicon Valley, with a vibrant and diversified globally connected economy. In addition to a large cluster of high tech companies, Fremont has attracted many biotechnology and clean technology companies. Fremont has over 42 million square feet of office, research and development, manufacturing, and warehouse building space, including 63% of all research and development inventory in the East Bay area.

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. Fremont has long been the end of the BART line in the East Bay, but that is changing as BART is working on an extension of the line to South Fremont/Warm Springs. That station is expected to open in late 2015, and by 2018 BART will extend 10 miles further south to San Jose. In 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	88	June 30, 2015
Fremont Association of City Employees, S.E.I.U. Local 1021	227	June 30, 2013
Professional Engineers & Technicians Association	26	June 30, 2015
Operating Engineers Local 3	106	June 30, 2015
International Association of Firefighters Local 1689	126	June 30, 2015
Fremont Police Association	170	June 30, 2013
Fremont Police Management Association	10	June 30, 2015
Teamsters	58	June 30, 2013
Not represented	23	
	840	

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. Total employer contribution made by the City during 2011/12 were $23.1 million, of which $2.9 million were made by employees. In 2012/13 total employer contributions are estimated to be $24 million, of which $3.2 million will be made by employees. 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 retirement from City employment to be eligible for the benefits. At June 30, 2012, 631 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, 2012 were $2.3 million, and are expected to be $2.6 million for the year ending June 30, 2013.

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 2011/12 and 2012/13.

CITY OF FREMONT
Appropriations Limit and
Appropriations Subject to Limitation

	2011/12	2012/13
Appropriations Limit	$508,665,119	$533,487,977
Appropriations Subject to Limitation	134,095,000	133,450,000

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
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
2012/13	31,602,583,790	67,380,087	2,444,715,117	34,114,678,994

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
2006/07	$39,660,230	$2,069,318	5.22%
2007/08	41,543,958	2,132,113	5.13
2008/09	41,082,790	1,453,842	3.54
2010/11	41,185,964	1,109,710	2.69
2011/12	40,072,095	926,526	2.28

[(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 19.72% of the City's total assessed valuation in 2012/13) for five years:

CITY OF FREMONT
TRA 12-013 Property Tax Rates

Year	City	County-wide	School Districts	Special Districts	Total
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
2012/13	0.00940	1.0000	0.0803	0.0344	1.1241

Source: Alameda County Auditor-Controller's Office.

Largest Taxpayers

The twenty largest secured taxpayers in the City as shown on the 2012/13 tax roll and their assessed valuations within the City are shown below.

CITY OF FREMONT
Twenty Largest Secured Property Taxpayers

Property Owner	Land Use	2012/13 Assessed Valuation	Percent of Total[(a)]
John T. Arrillaga and Richard T. Peery, Trust	Industrial	$230,229,207	0.73%
Transcontinental Northern California	Industrial	207,464,222	0.66
Pacific Commons Retail LLC	Shopping Center	198,162,147	0.63
Catellus Development Corp.	Industrial	185,045,964	0.59
Tesla Motors Inc.	Industrial	164,230,006	0.52
SI 30 LLC	Industrial	153,338,200	0.49
BRE Properties Inc.	Apartments	151,477,066	0.48
SCI LP I	Industrial	140,100,060	0.44
Fremont Retail Partners LP	Shopping Center	117,700,000	0.37
EQR Fanwell 2007 LP	Apartments	85,449,185	0.27
ASN Fremont LLC	Apartments	83,078,582	0.26
SSR Western Multifamily LLC	Apartments	81,061,187	0.26
BNP Paribas Leasing Corporation	Shopping Center	76,158,907	0.24
Presidio LLC	Apartments	75,248,414	0.24
MV EPT Apartments LLC	Apartments	66,884,069	0.21
Cisco Technology Inc.	Industrial	61,715,649	0.20
PSB Northern California Industrial Portfolio	Industrial	61,520,800	0.19
34551 Ardenwood LLC	Industrial	60,597,245	0.19
Inland American Stephens	Industrial	60,448,390	0.19
Solyndra Fab 2 LLC	Industrial	60,025,000	0.19
		$2,319,934,300	7.35%

[(a)] 2012/13 Local Secured Assessed Valuation: $31,602,583,790.

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 (the "Dissolution Act"), 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 or agreements other than to comply with "enforceable obligations", including payment of debt service on preexisting tax allocation bonds, ERAF payment obligations and other "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 housing successor agency, but without any tax increment revenue. What qualifies for continuing tax increment funding as an "enforceable obligation" is subject to rejection or approval by a local seven member oversight board appointed by local taxing agencies (including one member from the city or county which originally formed the redevelopment agency), all of which agencies would benefit from increased property tax revenue to the extent that the successor agency terminates tax increment obligations and liquidates the assets of the dissolved redevelopment agency, as the law directs successor agencies to do for everything not approved as an "enforceable obligation" (including payment of liquidated damages if necessary). In addition, the State Department of Finance independently may reject any proposed "enforceable obligation". The City is the successor agency in respect to both non-housing and housing matters of the dissolved Agency. By law, a city or county has no financial obligation on its own funds to make payments administered in its role of "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.

However, under the terms of AB 1484, enacted on July 27, 2012, various sections were added to or amended the *State Health and Safety Code*, changing or adding requirements to those of the Dissolution Act, that, among other things, establish financial penalties on the successor agency and sponsoring community of the dissolved redevelopment agency (such as the City and the Agency, respectively), for not meeting certain payment deadlines under AB 1484 and the Dissolution Act, and purporting to require payment from the sponsoring agency or third party of any amounts transferred to that sponsoring agency or third party subsequent to July 27, 2011 which is not determined to be an "enforceable obligation" pursuant to the procedures and terms of AB 1484 and the Dissolution Act. The City believes that its relevant payments due have and will continue to be made on time, and that it has no payments received from the Agency or successor agency that will be disallowed as not being an "enforceable obligation" that it will have to repay to the successor agency or to the County Redevelopment Property Tax Trust Fund, established under AB 1484, for apportionment to local taxing agencies. Ultimately it is the State Department of Finance that will make "enforceable obligation" determinations, by either letting the actions of the successor agency and oversight board stand, or by overruling the oversight board.

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. The City's budget for 2013/14 was adopted on June 11, 2013. The 2013/14 budget is balanced, and projects adding to reserves.

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.

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 2009/10 through 2013/14. Fiscal years 2009/10 through 2011/12 are audited actual results, fiscal year 2012/13 are unaudited estimated actual results and fiscal year 2013/14 is the adopted budget. 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.

The City expects its 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), to be approximately $5 million annually, commencing in 2012/13, plus in 2012/13 only, has received additional one-time property tax revenue of approximately $6.8 million, from the wind-down of activity by the City as Successor Agency.

CITY OF FREMONT
General Fund
Revenues, Expenditures and Fund Balance
2009/10 through 20013/14

	2009/10[a]	2010/11[a]	2011/12[a]	Estimated 2012/13[b]	Budget 2013/14[b]
REVENUES:					
Property Tax	$61,940,809	$61,738,762	$64,431,524	$77,512,000	$73,913,000
Sales Tax	26,769,511	30,089,204	33,065,829	34,894,000	37,017,000
Vehicle License Fees	634,305	991,459	219,730	101,000	101,000
Intergovernmental	169,122	142,362	234,508	147,000	148,000
Business Tax	7,106,402	6,820,327	7,495,975	7,353,000	7,426,000
Other Taxes	3,842,969	4,507,162	4,994,017	6,225,000	6,783,000
Franchises	7,928,716	8,215,061	8,255,221	8,611,000	8,697,000
Charges for Services	8,703,893	8,266,409	7,983,701	4,397,000	4,485,000
Investment Earnings	1,748,364	699,534	504,509	442,000	442,000
Other	984,149	1,117,956	1,353,636	5,112,000	5,217,000
TOTAL REVENUE	119,828,240	122,588,236	128,538,650	144,794,000	144,229,000
EXPENDITURES:					
Current:					
General Government	11,126,970	11,626,724	10,326,841	11,605,000	11,889,000
Police Services	52,300,564	52,488,719	52,248,503	52,302,000	56,621,000
Fire Services	30,848,121	31,415,705	32,351,048	32,271,000	33,556,000
Human Services [d]	3,415,273				
Public Words Maintenance and Community Preservation	17,528,049	18,294,596	18,708,588	13,612,000	14,157,000
Community Services and Environmental Services	918,248	655,745	692,176	6,582,000	6,539,000
Capital Outlay	78,422	382,790	82,140		
Non-departmental Budget Expense [e]				1,094,000	2,263,000
Debt Service - Interest and Fiscal Charges	1,184,016	1,181,929	1,058,472	0	0
TOTAL EXPENDITURES	117,399,663	116,046,208	115,467,768	117,466,000	125,025,000
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	7,951,346	8,569,550	4,958,579	5,049,000	5,698,000
Operating Transfers Out	(12,578,614)	(15,950,636)	(15,089,059)	(30,126,000)	(24,271,000)
TOTAL OTHER FINANCING SOURCES (USES)	(4,627,268)	(7,381,086)	(10,130,480)	(25,077,000)	(18,573,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,198,691)	(839,058)	2,940,402	2,251,000	631,000
FUND BALANCE, JULY 1	31,099,353	28,900,662	28,061,604	31,002,006	33,253,006
FUND BALANCE, JUNE 30	$28,900,662	$28,061,604	$31,002,006	$33,253,006	$33,884,006
FUND BALANCE COMPOSITION AS OF JUNE 30:					
Contingency Reserve	$14,641,940	$14,641,940	$14,641,940	$14,641,940	$15,020,000
Strategic Investment Reserve	3,660,235	3,660,235	3,660,235	3,660,235	3,755,000
Budget Uncertainty Reserve	8,489,875	7,421,461	7,421,461	7,421,461	3,621,461
Economic Volatility Reserve	0	0	0	0	3,800,000
Other Balance	2,108,612	2,337,968	5,278,370	7,529,370	7,687,545
FUND BALANCE, JUNE 30	$28,900,662	$28,061,604	$31,002,006	$33,253,006	$33,884,006

[a] City's Audited Financial Statements.
[b] Estimated actual results for 2012/13.
[c] From Adopted 2013/14 Budget.
[c] Equivalent human services expenditures supported by transfers from the general fund are $3,622,000 in 2010/11, $3,455,065 in 2011/12 and estimated at $3,308,065 in 2012/13 and $3,419,924 in 2013/14.
[d] At year end, this budget only amount is reconciled and allocated among departmental totals.

Source: City of Fremont

General Fund Reserves

Through 2012/13, the City designated three General Fund reserves: the "Contingency Reserve", the "Strategic Investment Reserve", and the "Budget Uncertainty Reserve". For 2013/14, the City will designate an "Economic Volatility Reserve" as a fourth reserve, initially funded with a transfer of $3.8 million from the Budget Uncertainty Reserve. By City Council policy, the Contingency Reserve is intended to mitigate natural disasters or other unforeseen events, as well as provide back-up Risk Management Fund liquidity, and is to be maintained at 10% of total operating expenditures and transfers-out; the Strategic Investment Reserve is available to provide seed funding for new initiatives that will generate ongoing external revenue, and is to be maintained at 2.5% of total operating expenditures and transfers-out; the Economic Volatility Reserve is intended to offset quantifiable revenue uncertainty in the City's multi-year budget forecasts, and mitigate short-term revenue shortfalls, State budget reductions and unavoidable cost increases, and is to be maintained at 2.5% of total operating expenditures and transfers-out. The Budget Uncertainty Reserve is intended to serve the same general purposes as the Economic Volatility Reserve, and is funded at a level as the Council in its judgement may decide from time to time. A net effect of creation of the Economic Volatility Reserve is to increase the aggregate amount of reserves tied by percentage to the amount of expenditures and transfers out to 15%. There has been no use of the Budget Uncertainty Reserve funds since fiscal year 2010/11, and none is anticipated for the foreseeable future. The Government Finance Officers Association of the United States and Canada has a recommended practice that local governments maintain reserves of at least 16.7% (two months of revenues or expenditures). The City's total reserve levels exceed this recommendation for the years shown:

CITY OF FREMONT
General Fund
Reserves and Fund Balances
2009/10 through 20013/14

	2009/10[(a)]	2010/11[(a)]	2011/12[(a)]	Estimated Actual 2012/13[(b)]	Budget 2013/14[(b)]
EXPENDITURES AND TRANSFERS OUT:					
Total Expenditures	$117,399,663	$116,046,208	$115,467,768	$117,466,000	$125,025,000
Operating Transfers Out	12,578,614	15,950,636	15,089,059	30,126,000	24,271,000
TOTAL EXPENDITURES AND TRANSFERS OUT	$129,978,277	$131,996,844	$130,556,827	$147,592,000	$149,296,000
FUND BALANCE COMPOSITION AS OF JUNE 30:					
Contingency Reserve	$14,641,940	$14,641,940	$14,641,940	$14,641,940	$15,020,000
Strategic Investment Reserve	3,660,235	3,660,235	3,660,235	3,660,235	3,755,000
Budget Uncertainty Reserve	8,489,875	7,421,461	7,421,461	7,421,461	3,621,461
Economic Volatility Reserve	0	0	0	0	3,800,000
Other Balance	2,108,612	2,337,968	5,278,370	7,529,370	7,687,545
FUND BALANCE, JUNE 30	$28,900,662	$28,061,604	$31,002,006	$33,253,006	$33,884,006
BOARD RESERVES/TOTAL EXPENDITURES AND TRANSFERS OUT	20.6%	19.5%	19.7%	17.4%	17.5%
FUND BALANCE/TOTAL EXPENDITURES AND TRANSFERS OUT	22.2%	21.3%	23.7%	22.5%	22.7%

[(a)] City's Audited Financial Statements.
[(b)] Estimated actual results for 2012/13.
[(c)] From Adopted 2013/14 Budget.

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 Macias Gini & O'Connell, L.L.P. (M.G.O.). 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 June 30, 2012, $47,240,000 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, 2012 and March 30, 2013

Issue	Amounts Outstanding June 30, 2012	Amounts Outstanding March 30, 2013
General Obligation Bonds, Election of 2002, Series A	$260,000	$0
General Obligation Bonds, Election of 2002, Series B (Fire Safety Project) [a]	23,380,000	22,780,000
General Obligation Bonds, Election of 2002, Series C (2009) (Fire Safety Project)	15,435,000	15,130,000
2012 General Obligation Refunding Bonds	8,165,000	8,060,000
Total	$47,240,000	$45,970,000

[A] To be refunded with proceeds of the Bonds upon their delivery.

Source: City of Fremont.

The corresponding existing future fiscal year annual general obligation bond debt service payments, as of June 30, 2012, are as follows:

CITY OF FREMONT
General Obligation Bonds
Fiscal Year Debt Service Payments From June 30, 2012

Fiscal Year	Principal	Interest	Debt Service
2012/13	$1,270,000.00	$1,975,291.25	$3,245,291.25
2013/14	1,265,000.00	1,996,650.63	3,261,650.63
2014/15	1,330,000.00	1,959,466.26	3,289,466.26
2015/16	1,375,000.00	1,918,466.26	3,293,466.26
2016/17	1,425,000.00	1,873,922.51	3,298,922.51
2017/18-2021/22	7,950,000.00	8,484,579.41	16,434,579.41
2022/23-2026/27	9,630,000.00	6,628,387.50	16,258,387.50
2027/28-2031/32	11,885,000.00	4,175,218.76	16,060,218.76
2032/33-2036/37	9,145,000.00	1,396,109.38	10,541,109.38
2037/38-2038/39	1,965,000.00	102,115.63	2,067,115.63
Total	$47,240,000.00	$30,510,207.59	$77,750,207.59

Source: City of Fremont.

Certificates of Participation

Following is a summary of long-term certificates of participation of the City as of June 30, 2012 and March 30, 2013. 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, 2012 and March 30, 2013

Issue	Amounts Outstanding June 30, 2012	Amounts Outstanding March 30, 2013
Variable Rate Demand Certificates of Participation (1998 Family Resource Center Financing Project) [a]	$9,305,000	$8,945,000
Certificates of Participation (2008 Refinancing Project)	26,280,000	25,760,000
Variable Rate Demand Certificates of Participation (2008 Financing Project)	46,045,000	45,085,000
Variable Rate Demand Certificates of Participation (2010 Financing Project)	15,000,000	15,000,000
Certificates of Participation (2012 Refinancing Project, Series A)	12,990,000	12,125,000
Variable Rate Demand Certificates of Participation (2012 Refinancing Project, Series B)	32,125,000	30,670,000
Total	141,745,000	137,585,000
Less Variable Rate Demand Certificates of Participation (1998 Family Resource Center Financing Project) [a]	(9,305,000)	(8,945,000)
Net Total	$132,440,000	$128,640,000

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

Source: City of Fremont.

The corresponding future fiscal year net annual certificates of participation lease payments (variable rate demand certificates of participation leases with a weekly interest rate reset are assumed to have constant rates equal to actual rates as June 30, 2012, which ranged from 0.14% to 0.19%, depending on the issue; future rates could be significantly higher), including the Variable Rate Demand Certificates of Participation (1998 Family Resource Center Financing Project), from June 30, 2012 are estimated as follows:

FREMONT PUBLIC FINANCING AUTHORITY
Certificates of Participation of the City of Fremont
Estimated Net Annual Lease Payments From June 30, 2012

Fiscal Year	Principal	Interest	Lease Payment
2012/13	$4,160,000	$1,727,105	$5,887,105
2013/14	4,170,000	1,795,068	5,965,068
2014/15	4,750,000	1,748,282	6,498,282
2015/16	4,890,000	1,696,339	6,586,339
2016/17	5,060,000	1,641,268	6,701,268
2017/18-2021/22	27,745,000	7,315,899	35,060,899
2022/23-2026/27	31,540,000	5,387,390	36,927,390
2027/28-2031/32	26,950,000	3,660,822	30,610,822
2032/33-2036/37	22,225,000	1,943,977	24,168,977
2037/38-2038/39	10,255,000	186,665	10,441,665
Total	$141,745,000	$27,102,815	$168,847,815

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, 2012, was approximately $3,080,000.

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, 2012 there were $28,625,000 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 June 30, 2013. 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

2012/13 Assessed Valuation: $34,114,678,994

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percent Applicable	Debt as of June 30, 2013
Bay Area Rapid Transit District	6.786%	$27,869,423
Chabot-Las Positas Community College District	0.007	30,685
Ohlone Community College District	83.659	166,958,266
Fremont Unified School District	100.000	177,650,386
Sunol Glen Unified School District	0.286	2,502
City of Fremont	100.000	45,970,000[a]
City of Fremont Community Facilities District No. 1	100.000	66,215,000
City of Fremont 1915 Act Bonds	100.000	2,595,000
Washington Township Healthcare District	70.009	41,987,898
East Bay Regional Park District	10.487	14,216,702
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		543,495,862
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda County General Fund Obligations	17.256	110,258,938
Alameda County Pension Obligations	17.256	18,856,943
Alameda-Contra Costa Transit District Certificates of Participation	20.152	6,323,698
City of Fremont Certificates of Participation	100.000	137,585,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		273,024,579
COMBINED TOTAL DEBT		$816,520,441[b]

[a] Excludes refunding general obligation bonds to be sold.
[b] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2012/13 Assessed Valuation:
- Direct Debt ($45,970,000) 0.13%
- Total Direct and Overlapping Tax and Assessment Debt 1.59%
- Combined Direct Debt ($183,555,000) 0.54%
- Combined Total Debt 2.39%

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, 2012 were $14,409,000.

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 22 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 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 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, 2012, 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, 2012, in all funds were as follows:

TOTAL CITY POOLED INVESTMENTS
(As of December 31, 2012)

Type	Book Value
U.S. government sponsored entity securities	$68,953,000
U.S. government agency - Treasuries	0
Medium term corporate notes	26,516,000
Time deposits, negotiated certificates of deposit and money market	35,000,000
California Local Agency Investment Fund	50,000,000
Total Investments	$180,469,000

At December 31, 2012, total effective year-to-date yield was 1.47%, excluding the effects of write-downs to investments in Lehman Brothers Holdings, Inc. (Lehman). At December 31, 2012, 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, 2012 excluding the Lehman securities, were $180,469,000 and $184,156,000, 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 sixteenth largest in the State. The following table sets forth the annual California Department of Finance estimates for the City and the County for 2008 through 2012 as of January 1 of each year.

CITY OF FREMONT
Population

Year	City of Fremont	Alameda County
2008	209,257	1,484,085
2009	211,506	1,497,799
2010	213,524	1,509,240
2011	215,391	1,517,756
2012	217,700	1,532,137

Source: For the years 2008 - 2010, State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, Revised September 2011. For years 2011-2012, State of California, Department of Finance E-5 Population Estimates for Cities, Counties and the State, 2001-2010, May 2012.

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

	2008	2009	2010	2011	2012
Civilian Labor Force[a]					
Employment	1,203,000	1,152,700	1,140,600	1,151,600	1,181,500
Unemployment	79,100	133,100	143,900	133,400	117,800
Total	1,282,100	1,285,800	1,284,600	1,285,000	1,299,200
Unemployment Rate[b]	6.2%	10.4%	11.2%	10.4%	9.1%

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

Source: California Employment Development Department, Labor Market Information Division

For calendar year 2012 for the City alone the California Employment Development Department, Labor Market Information Division reports that the average unemployment rate was 6.5%.

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) check

	2008	2009	2010	2011	2012
Agricultural	1,400	1,400	1,400	1,600	1,600
Mining and Logging	1,200	1,200	1,200	1,200	1,200
Construction	64,900	53,500	47,400	46,300	48,500
Manufacturing	93,100	82,800	79,700	79,000	77,600
Trade, Transportation and Utilities	193,000	179,000	173,600	173,900	177,500
Information	27,800	25,300	23,600	22,700	22,900
Financial Activities	52,700	48,000	48,200	47,200	45,800
Professional and Business Services	162,400	148,700	152,100	154,200	158,200
Educational Services	20,600	20,900	20,200	20,700	21,400
Health Care and Social Assistance	112,300	116,300	116,200	116,900	122,000
Leisure and Hospitality	89,100	85,100	85,800	87,300	88,600
Other Services	36,100	34,700	35,000	35,900	36,700
Federal Government	17,100	16,700	15,700	14,600	14,200
State Government	39,100	39,000	38,100	38,400	39,100
Local Government	121,100	116,900	111,500	109,500	109,200
Total All Industries	1,031,800	969,400	949,700	947,600	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 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
Lam Research Corporation	Supplier of wafer fabrication equipment and services to the semiconductor industry.	1,500
Tesla Motors	Electric vehicles	1,500
Western Digital	Manufacture of computer disk drives and solid state drives	1,300
Boston Scientific/Target Therapeutics, Inc.	Medical and scientific equipment and devices	1,200
Seagate Magnetics	Manufacturers computer disk drives	1,050
AXT Incorporated	Manufacturers semiconductors and related devices	950
City of Fremont	City municipal government and services	840
Sysco Food Services	Food service equipment and supplies	740

Source: City of Fremont

Construction Permit Activity

The following table reflects the five-year history of all construction permits and their estimated valuation for the City:

CITY OF FREMONT
Construction Permits and Estimated Value
(Dollars in Thousands)

	Commercial/Industrial		Residential		Total	
	Permits	Value	Permits	Value	Permits	Value
2007/08	892	$244,838	3,464	$146,060	4,356	$390,898
2008/09	829	94,887	2,910	122,842	3,739	217,729
2009/10	894	322,309	3,195	116,044	4,089	438,353
2010/11	892	110,096	2,927	119,479	3,819	229,575
2011/12	884	133,683	2,861	124,454	3,745	258,137

Source: City of Fremont Community Development Department.

Residential Housing Unit Building Activity

The following table reflects the five-year history of residential housing unit 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
2007	392	$79,287
2008	280	65,626
2009	301	69,206
2010	315	68,817
2011	506	81,858

[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
2006	5,220	$2,915,868
2007	5,110	3,142,082
2008	5,053	2,987,231
2009	4,713	2,446,240
2010	4,804	2,596,245

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. The following table summarizes estimated median household EBI for the City, County, State of California and United States of America as of January 1 of the year indicated.

CITY OF FREMONT, ALAMEDA COUNTY, STATE OF CALIFORNIA AND UNITED STATES OF AMERICA
Median Household Effective Buying Income

Year	City of Fremont	Alameda County	California	United States
2009	$75,443	$55,987	$48,952	$42,303
2010	76,939	57,997	49,736	43,252
2011	72,074	54,734	47,177	41,368
2012	71,874	54,542	47,062	41,253
2013	73,624	55,396	47,307	41,358

Source: Source: The Nielson Company.

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— FORM OF OPINION OF BOND COUNSEL".**

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 July __, 2013, ____________________, 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 2012/13 Fiscal Year, which is due no later than March 31, 2014 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 Bonds 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, 2012 FOR CITY OF FREMONT

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Letter of Transmittal

Finance Department
3300 Capitol Avenue, Building B, P.O. Box 5006, Fremont, CA 94537-5006
510 494-4610 ***ph*** | 510 494-4611 ***fax*** | www.fremont.gov

January 31, 2013

To the Honorable Mayor, Members of the City Council and
Citizens of the City of Fremont, California

Various financing covenants and rules associated with restricted funding sources require the City of Fremont, California (City) to publish a complete set of audited financial statements presented in conformance with generally accepted accounting principles (GAAP). This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Macias Gini & O'Connell LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of Fremont's financial statements for the fiscal year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Fremont, incorporated in 1956, is located at the southeast end of the San Francisco Bay and is the fourth largest city in the Bay Area, the 15th largest in California, and is 96th among the most populous cities in the nation, according to the U. S. Census Bureau's "County and City Data Book: 2007" (the most recent data available). The City of Fremont contains 92 square miles and serves a population of just over 215,000. In addition to a large cluster of high tech companies, Fremont has attracted many biotechnology and clean technology companies.

Fremont is a general law city and, as such, does not operate under the provisions of a voter-approved charter. Like other general law cities, and charter cities with only minor differences, the City has limited ability to set tax rates. The State Constitution establishes a maximum rate for property tax and limits the growth of assessed value. The property tax collected is allocated among the jurisdictions in the City's tax rate areas based on criteria established by the State Legislature. The rate and tax base of the City's other major general tax, sales tax, are also controlled by the State Legislature or the Constitution, rather than the City Council.

The City of Fremont has operated under the council-manager form of government since its incorporation in 1956. Policy-making and legislative authority are vested in a five-member governing council consisting of the Mayor and four Councilmembers. The City Council is responsible for, among other things, passing ordinances, adopting the budget, approving the Mayor's nominees to commissions, and hiring both the City's manager and its attorney.

The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The City Council is elected on a non-partisan basis. Councilmembers serve four-year staggered terms, with two Councilmembers elected every two years. The Mayor is elected to serve a four-year term. The Mayor and Councilmembers are elected at large and all are subject to a two-term limit.

The City of Fremont provides a broad range of services, including police and fire protection, construction and maintenance of streets, parks, storm drains and other infrastructure, building inspections, licenses and permits, recreational and cultural activities, and human services programs. The City also manages franchises for solid waste, cable television, and energy.

Increases of existing local taxes and any new taxes require voter approval. Taxes used for general purposes are subject to approval by a simple majority of voters, while taxes levied for specific purposes require a two-thirds majority of voters, as do property tax levies used to pay for debt issued to build capital assets. In November 2002, Fremont voters approved an additional tax levy to build and upgrade fire stations and other public safety facilities throughout the City. The first series of those bonds was issued in July 2003 (and refunded in May 2012), with a second series following in April 2005, and the final series in February 2009. Work funded by bond proceeds is now substantially complete.

Assessments have varying requirements for voter approval, ranging from approval through Council action unless challenged by a majority protest, to two-thirds voter approval, with voting rights apportioned based on the amount of the assessment. In addition, fees for facilities and services are subject to requirements that they be set at levels that do not exceed the reasonable costs of providing those services. As a result, fund balances generated by differences between fee revenue and related expenses are restricted or committed for services and facilities that benefit fee payers.

Local Economy

Fremont is the second largest city in Silicon Valley, with a vibrant and diversified globally connected economy and dozens of innovative firms, including Amgen, Deeya, Purfresh, and more. Almost 22% of working adults in Fremont are employed in manufacturing. Fremont is home to a growing cluster of over 30 clean-tech companies, such as electric car builder Tesla Motors, Solaria, Redwood Systems, and Oorja. Other major companies include Lam Research, Boston Scientific, Seagate Technologies, Western Digital, and Thermo Fisher Scientific. Growing industries and employment sectors include the following:

- Electric vehicle industry
- High-tech and information technology
- Clean and green technology
- Biotechnology and life sciences
- Logistics, warehousing, and goods movement
- Medical

According to a report completed by San Francisco-based SizeUp.com, Fremont is ranked No. 1 in the country for technology start-up business per capita, with 21 for every 100,000 residents. Fremont was voted the 2nd Most Inventive City in America by *The Daily Beast/Newsweek*, with over 2,200 patents awarded in 2010. Companies in Fremont have received over $1 billion of venture capital in recent years. Fremont has over 42 million square feet of office, R&D, manufacturing, and warehouse building space, including 63% of all R&D inventory in the East Bay Area.

Fremont is one of the most ethnically and culturally diverse cities in the Bay Area, with highly educated residents and high-paying jobs in a variety of business sectors. The average household income is $114,000, and 49% of Fremont's residents have bachelor's, graduate, or professional degrees. Fremont was recently named the 5th best run city in the nation by *24/7 Wall Street*.

Long-Term Financial Planning and Major Initiatives

The City Council has continued to focus attention on the long-term benefits of transportation infrastructure improvement, recruitment of consumer retail uses to balance the City's business-to-business sales tax base, and development of a pedestrian-oriented urban center in the City's Downtown area. Significant resources have been invested in the City's estimated share of freeway interchanges. Four interchanges were constructed using local funds to allow the completion of extensive freeway investments funded by Alameda County, the State, and the federal government. This investment completed the upgrade to I-880 through Fremont years earlier than would have otherwise been the case. Construction was also completed on two grade separation projects that will increase safety, reduce congestion, and facilitate the BART extension south to Warm Springs and, eventually, to San Jose.

Fremont has long been the end of the BART line in the East Bay, but that is changing as BART is working on an extension of the line to South Fremont/Warm Springs. That station is expected to open in late 2015, and by 2018, BART will extend 10 miles further south to San Jose. This BART expansion will open up the South Fremont/Warm Springs area from both the north and the rest of Silicon Valley to the south. This area is critically important to the City and the region and represents a unique convergence of forces. Tesla Motors now anchors this district in the former NUMMI plant. There is also an abundance of industrial space and vacant land, including 160 acres owned by Union Pacific Railroad (UPRR) that is currently being marketed to significant employment users. The new BART station that will open in late 2015 is within walking distance of Tesla Motors and the UPRR property. The City and the region are heavily invested in ensuring the area is developed strategically and takes advantage of the huge public support and regional access provided by the new BART station.

In addition, with its ideal Silicon Valley location, Downtown Fremont is poised to become a vibrant urban mixed use district within the City Center that will serve as a destination for the city and region. Incentives are in place for new developments that will help create an exciting new district in Fremont in keeping with the City's new general plan goal of becoming "strategically urban." Downtown will provide Fremont with a focal point and community gathering space – a more sustainable, pedestrian-friendly public realm activated with street-level commercial, retail, civic uses and public open spaces that stimulate economic activity and entice high-quality, high-intensity development to the district. Development projects will take advantage of the close proximity and connections to the Fremont BART station. The building development patterns will change the district's character from today's low-density, vehicular-oriented suburban development fronting surface parking lots to a mid-density, transit-oriented development directly fronting streets and sidewalks.

Relevant Financial Policies

The City of Fremont has adopted a comprehensive set of financial policies. These policies address things like cash management, risk management, reserves and stabilization accounts, and debt capacity, issuance and management. The policies are included with the annual operating budget, and are reviewed annually in conjunction with the adoption of the annual operating budget.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fremont for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the 28th consecutive year the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 2011/12. This was the 15th consecutive year the City received this prestigious award. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all City departments for their assistance in providing the data necessary to prepare this report. Credit and thanks are also due to the City Manager, and the Mayor and City Councilmembers for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Fremont's finances.

Respectfully submitted,

Harriet V Commons

Harriet V. Commons, CPA
Finance Director/Treasurer

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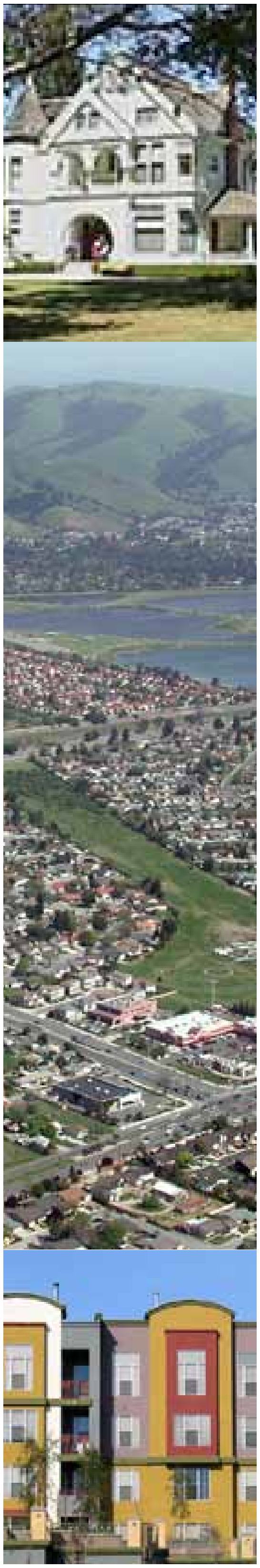
Located on the southeast side of the San Francisco Bay, Fremont is a city of over 215,000 people with an area of 92 square miles, making it the fourth largest city in the San Francisco Bay Area and ranks 95th among the most populous cities in the nation according to the California State Department of Finance. With its moderate climate and its proximity to major universities, shopping areas, recreational and cultural activities, employment centers, major airports, and the Bay Area Rapid Transit system, Fremont captures metropolitan living at its best.

The Fremont area was first settled with the establishment of Mission San Jose by the Spanish. In the mid-1840s, John C. Fremont mapped a trail through Mission Pass to provide access for American settlers into the southeastern San Francisco Bay Area. In 1853, Washington Township was established, taking in the communities of Mission San Jose, Centerville, Niles, Irvington, and Warm Springs. On January 23, 1956, these communities joined together to form the City of Fremont.



City Council

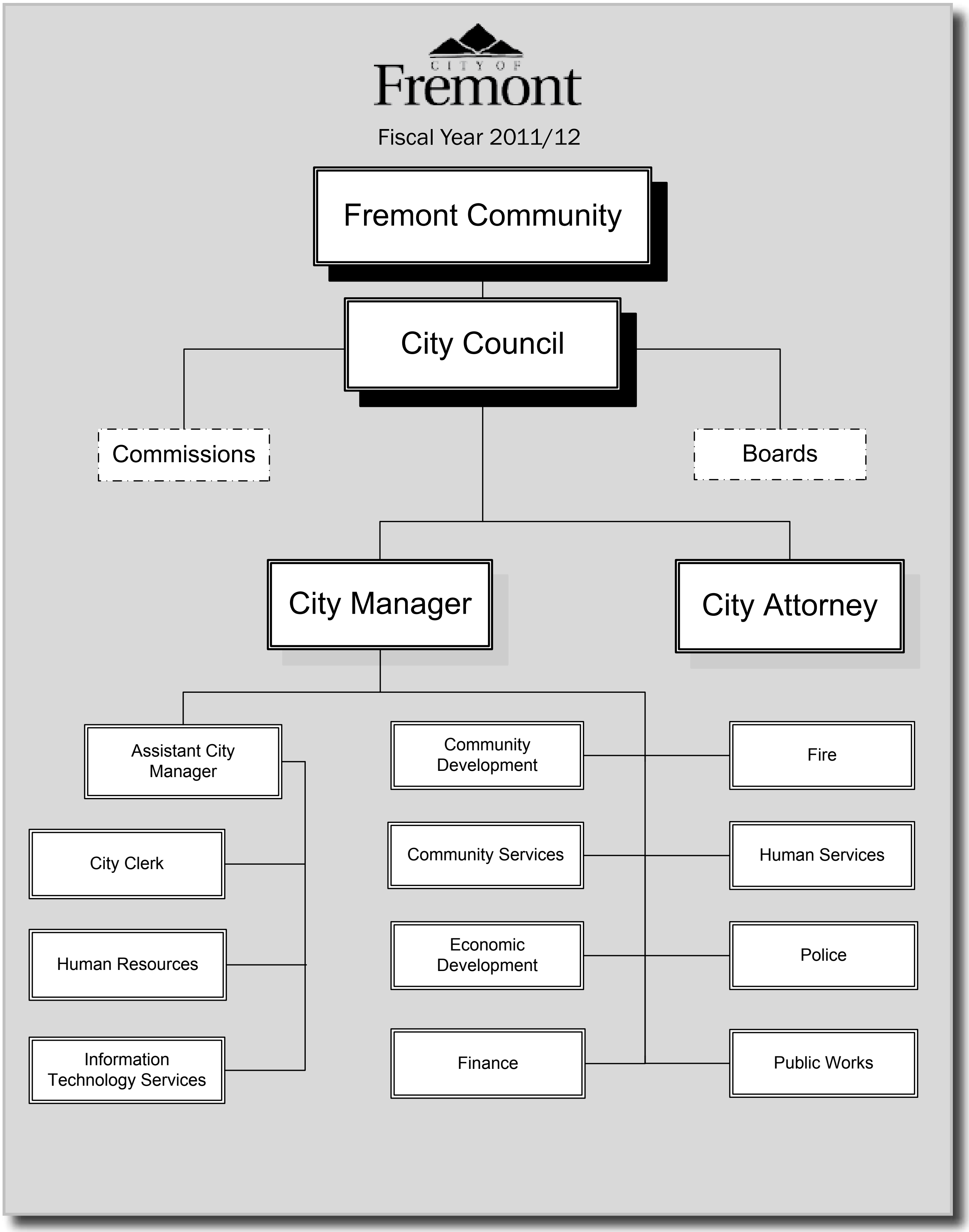
Gus Morrison, Mayor
Anu Natarajan, Vice Mayor
Bill Harrison, Councilmember
Suzanne Lee Chan, Councilmember
Dominic Dutra, Councilmember

City Executive Staff

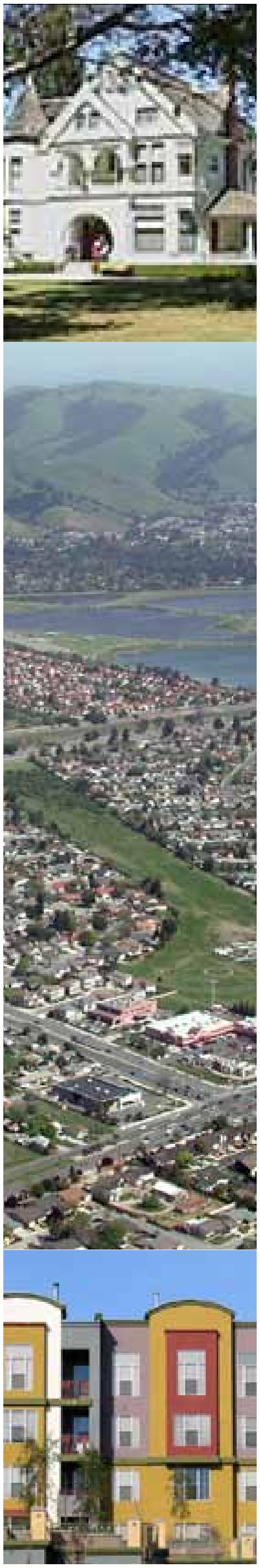
Fred Diaz, City Manager
Harvey E. Levine, City Attorney
Mark Danaj, Assistant City Manager
Harriet Commons, Finance Director
Marilyn Crane, Information Technology Services Director
Annabell Holland, Community Services Director
Norm Hughes, City Engineer
Kelly Kline, Economic Development Director
Bruce Martin, Fire Chief
Nadine Nader, City Clerk/Assistant to City Manager
Jim Pierson, Public Works Director
Jeff Schwob, Community Development Director
Suzanne Shenfil, Human Services Director
Craig Steckler, Chief of Police
Brian Stott, Human Resources Director

CAFR Team

Julie Battershell, Senior Accountant
Tricia Fan, Senior Accountant
Tish Saini, Accountant
Ellen Zhou, Accountant
Anita Chang, Accounting Technician
Elisa Chang, Executive Assistant/Graphic Artist


CITY OF
Fremont
Fiscal Year 2011/12
Fremont Community
City Council
Commissions
Boards
City Manager
City Attorney
Assistant City Manager
City Clerk
Human Resources
Information Technology Services
Community Development
Community Services
Economic Development
Finance
Fire
Human Services
Police
Public Works

Certificate of Achievement for Excellence in Financial Reporting



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fremont
California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

MGO Certified Public Accountants.

Walnut Creek
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of 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, 2012, 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. The prior year partial and summarized comparative information have been derived from the City's 2011 basic financial statements and the report of other auditors dated December 29, 2011, which expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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 previously 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.A. to the basic financial statements, the California State Legislature enacted legislation that dissolved redevelopment agencies in the State of California as of February 1, 2012. On February 1, 2012, the City, as the Successor Agency to the Redevelopment Agency of the City of Fremont, became responsible for overseeing the dissolution process and the wind down of redevelopment activities.

As discussed in Note 11 to the basic financial statements, in connection with uncertainties related to the Redevelopment Dissolution Law, it is reasonably possible that a determination may be made at a later date by an appropriate State or judicial authority that would resolve these uncertainties unfavorably to the City. The ultimate outcome of these uncertainties cannot presently be determined, accordingly, no provision for a liability or other accounting treatment that may result has been recorded in the financial statements except as disclosed in the basic financial statements.

The financial statements include partial or summarized prior year comparative information. Such prior year information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2011, from which such partial or summarized information was derived.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, the infrastructure assets reported using the modified approach, and the schedules of funding progress, as listed in the table of contents, 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 basic financial statements. The accompanying combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was 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 by us in the audit of the basic 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 basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
January 31, 2013

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, 2012. 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 by $868.3 million (net assets). Of this amount, $59.7 million (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 City's total net assets decreased by $59.4 million because of the dissolution of the City's Redevelopment Agency as a result of a California Supreme Court decision that upheld ABx1 26 and eliminated redevelopment agencies throughout California.

- As of June 30, 2012, the City of Fremont's governmental funds reported combined fund balances of $192.7 million, a decrease of $60.1 million in comparison with the prior year as a result of the elimination of the City's Redevelopment Agency. Of this amount, 14.1% ($27.3 million) is available for spending at the City's discretion (unassigned fund balance), but is also subject to future contingencies.

- At the end of FY 2011/12, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance for the General Fund was $31.0 million, or approximately 23.7% of total General Fund expenditures and transfers out. Of this amount, $14.6 million was set aside by City Council policy for unforeseen events (contingencies), $7.4 million was set aside by City Council policy 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, and $3.7 million was set aside by Council policy to provide a source of working capital for new programs or undertakings that have potential for receiving significant funding from outside sources, and organization retooling, process improvement, and strategic entrepreneurial opportunities. Please refer to Note #1.L., for more information on the City's minimum fund balance policies.

- The City of Fremont's total outstanding long-term debt decreased by $7.7 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are 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 includes supplementary information intended to furnish additional detail to support 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 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 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 include public safety, human services, capital assets maintenance and operations, recreation and leisure 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 four other entities that, although legally separate, are important because the City is financially accountable for them. These component units are the former Redevelopment Agency of the City of Fremont (Agency), the Successor Agency to the Redevelopment Agency of the City of Fremont (SARA), the Fremont Public Financing Authority (Authority), and the Fremont Social Services Joint Powers Authority (JPA). As a result of ABx1 26, all redevelopment agencies in California, including the Redevelopment Agency of the City of Fremont, ceased to exist after January 31, 2012, and the SARA came into existence on February 1, 2012. 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 funds balance sheet and the governmental funds 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 individual governmental funds. Information is presented in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in funds 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
- Capital Improvement
- Human Services
- Low and Moderate Income Housing Asset

Data for the other twenty-nine 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 schedules 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 an accounting device 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 both of these services predominantly 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 City's fiduciary funds are comprised of a private purpose trust fund to account for activities of the SARA, and agency funds, which report resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents 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 and other post-employment benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements.

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 $868.3 million at the close of the 2011/12 fiscal year. In comparison, last year assets exceeded liabilities by $927.7 million. Information about net assets is presented in the summary schedule below.

SUMMARY OF NET ASSETS
JUNE 30, 2012 AND 2011
(dollars in thousands)

	2012	2011	Percentage Change
Current and other assets	$ 243,022	$ 310,642	(21.8%)
Capital assets	875,332	881,668	(0.7%)
Total assets	**1,118,354**	**1,192,310**	(6.2%)
Current liabilities	33,457	44,350	(24.6%)
Noncurrent liabilities	216,547	220,251	(1.7%)
Total liabilities	**250,004**	**264,601**	(5.5%)
Net assets:			
Invested in capital assets, net of related debt	691,661	685,668	0.9%
Restricted	117,039	204,033	(42.6%)
Unrestricted	59,650	38,008	56.9%
Total net assets	**$ 868,350**	**$ 927,709**	(6.4%)

Total assets were $74.0 million lower in FY 2011/12 compared to FY 2010/11, largely due to the transfer of assets from the Redevelopment Agency to the Successor Agency to the Redevelopment Agency of the City of Fremont (SARA). As part of the adoption of the FY 2011/12 State Budget, the California State Legislature enacted two trailer bills that significantly modified the California Community Redevelopment Law ("CRL") and fundamentally altered the future of California redevelopment: ABx1 26 (the "Dissolution Act") and ABx1 27 (the "Voluntary Program Act").

The Dissolution Act first immediately suspended all new redevelopment activities and incurrence of indebtedness, and dissolved redevelopment agencies, effective October 1, 2011. The Voluntary Program Act then allowed redevelopment agencies to avoid dissolution under the Dissolution Act by opting in to an "alternative voluntary redevelopment program" (the "Voluntary Program") that required annual contributions to local schools and special districts. The City of Fremont, along with roughly 80% of redevelopment agencies throughout the State, was prepared to participate in the Voluntary Program and, in fact, had adopted a resolution to that effect on July 12, 2011.

Both the California Redevelopment Association and the League of California Cities filed a lawsuit in August 2011, challenging the constitutionality of both ABx1 26 and ABx1 27. The suit was heard directly by the California Supreme Court, which rendered its decision in California Redevelopment Association v. Matosantos on December 29, 2011. In that decision, the Supreme Court declared the Dissolution Act to be constitutional and the Voluntary Program Act to be unconstitutional, citing as one of the factors in its conclusion the recent passage of Proposition 22. Thus, under the Dissolution Act, all California redevelopment agencies were dissolved effective February 1, 2012, and the unwinding of the affairs of all former redevelopment agencies began, including the transfer of all assets and liabilities of the former Redevelopment Agency to the SARA.

Total liabilities were $14.6 million less in FY 2011/12 compared to the prior fiscal year. The majority of the decrease is in the amount due to other government agencies, which no longer exists because of the dissolution of the City's Redevelopment Agency.

By far, the largest portion of the City's net assets (79.6%) reflects its investment in capital assets (e.g., land, infrastructure, 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 (13.5%) represents restricted resources that are subject to external restrictions on how they may be used. The remaining balance of $59.7 million (6.9%) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City of Fremont is able to report positive balances in all reported categories of net assets. The same situation held true for the prior fiscal year. However, the City's overall net assets decreased by $59.4 million from the prior 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, 2012 AND 2011
(dollars in thousands)

	2012	2011	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 34,071	$ 30,781	10.7%
Operating grants and contributions	28,521	20,878	36.6%
Capital grants and contributions	5,370	702	665.0%
General revenues:			
Property tax	81,384	100,080	(18.7%)
Sales tax	33,066	30,089	9.9%
Business tax	7,496	6,820	9.9%
Transient occupancy tax	4,133	3,476	18.9%
Property transfer tax	861	1,031	(16.5%)
Vehicle license in-lieu fees	220	992	(77.8%)
Development impact fees	6,194	6,790	(8.8%)
Franchise fees	8,255	8,215	0.5%
Investment earnings	2,289	4,297	(46.7%)
Miscellaneous	5,020	4,327	16.0%
Total revenues	**216,880**	**218,478**	(0.7%)
Program expenses:			
General government	10,747	11,971	(10.2%)
Police services	54,904	54,926	0.0%
Fire services	35,276	34,483	2.3%
Human services	9,188	8,908	3.1%
Capital assets maintenance and operations	56,294	42,076	33.8%
Community services	7,283	6,731	8.2%
Community development and environmental services	18,940	45,448	(58.3%)
Interest on debt	6,102	6,374	(4.3%)
Total program expenses	**198,734**	**210,917**	(5.8%)
Extraordinary loss	(77,505)	-	N/A
Increase (decrease) in net assets	(59,359)	7,561	(885.1%)
Net assets, beginning of year	927,709	920,148	0.8%
Net assets, end of year	**$ 868,350**	**$ 927,709**	(6.4%)

During the current fiscal year, net assets decreased $59.4 million from the prior fiscal year, for an ending balance of $868.3 million. While the current recession certainly had an impact on the City, management was able to take various actions (e.g., negotiating with all employees to take either a 4.25% wage reduction or begin making an additional contribution to CalPERS [5.8% for safety employees, 5.29% for non-safety employees] to offset the increased employer cost, implementing a second tier retirement benefit for new employees) that helped neutralize its effect on governmental activities.

In addition, the worst of the recession appears to be over and a modest recovery appears to be underway, as evidenced by increases in sales tax, business tax, and transient occupancy (hotel/motel) tax. The decrease in property tax and investment earnings, the decrease in community development and environmental services expenses, and the decrease in overall net assets are the result of the demise of redevelopment, effective February 1, 2012. Both the increased charges for services and operating grants and contributions, and the increased expenses for capital assets maintenance and operations reflect work performed related to a major infrastructure project in Warm Springs, in partnership with BART and the Santa Clara Valley Transportation Authority (VTA). The extraordinary loss of $77.5 million represents the effect of transferring the assets and liabilities of the former Redevelopment Agency to the SARA, a private-purpose trust fund.

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 2011/12, the City's governmental funds reported combined ending fund balances of $192.7 million, a decrease of $60.1 million from the prior year. Of this amount, 61.7% ($118.9 million) is legally restricted for specific purposes by enabling legislation or external funding source providers, 4.7% ($9.0 million) is committed for specific purposes by the City Council, and 19.5% ($37.5 million) is assigned for specific purposes by the City. The remaining 14.1% ($27.3 million) is unassigned fund balance available for spending at the City's discretion, but is also subject to Council-established policies 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 2011/12, total fund balance was $31.0 million, of which $3.7 million (2.5% of budgeted expenditures and transfers out) is assigned by Council policy as a source of working capital for new programs or undertakings that have potential for receiving significant funding from outside sources, and organization retooling, process improvement, and strategic entrepreneurial opportunities, and $27.3 million is unassigned. The primary components of this unassigned amount are $14.6 million (10.0% of budgeted expenditures and transfers out) set aside 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, $7.4 million 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, $2.2 million for unrealized gains on the City's investments, and $1.4 million set aside to liquidate remaining balances on contracts and purchase orders (encumbrances).

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 20.9% of total General Fund expenditures and transfers out, while total fund balance represents approximately 23.7% of that same amount.

The fund balance of the City's General Fund increased by $2.9 million during the 2011/12 fiscal year, compared to a decrease of $839,000 in the prior year. Revenues and transfers in of $133.5 million were 1.8% ($2.3 million) higher than in FY 2010/11. Looking at each item separately, total revenues of $128.5 million were 4.9% ($6.0 million) higher than last year, primarily due to a $2.7 million increase in property tax, a $3 million increase in sales tax, and a $675,000 increase in business tax.

The property tax increase is attributable to $3.5 million of property tax increment received as a result of the wind-down of redevelopment, which was partially offset by continuing sluggishness in the real estate market. Prior to the dissolution of the City's Redevelopment Agency, a portion of the City's property tax (i.e., tax increment growth above a frozen base as a result of increased property values in the redevelopment project areas), along with property tax from all taxing jurisdictions in the redevelopment project areas was diverted to the Agency to fund redevelopment projects and efforts. Now that the Agency no longer exists, the City (and all other taxing jurisdictions) is beginning to once again receive this diverted property tax increment.

The increases in sales tax and business tax, however, are a positive indicator that the economy may finally be recovering from the "great recession" of the past few years. Transfers in decreased $3.6 million because, with increased revenues, there was no need to transfer funds from closed out or defunded capital projects in order to balance the FY 2011/12 budget. In FY 2010/11, $2.4 million was transferred in from the Capital Improvement Fund for that purpose. Expenditures and transfers out of $130.6 million decreased by 1.1% ($1.4 million).

Redevelopment Operations Fund – This was the Redevelopment Agency's operating fund and it was funded with transfers from the Agency's Debt Service Fund. This fund recorded the administrative expenditures required to support the Agency's capital projects and included pass-through payments to other taxing entities. This fund ceased to exist on February 1, 2012, as a result of the dissolution of redevelopment by the State Legislature, and its assets and liabilities were transferred to the SARA. That transfer resulted in an extraordinary loss.

Low and Moderate Income Housing Fund – This fund received 20% of the Redevelopment Agency's tax increment revenue as a set-aside for development of affordable housing. This fund ceased to exist on February 1, 2012, as a result of the dissolution of redevelopment by the State Legislature, and the City assumed the role of Housing Successor. Accordingly, the non-cash assets of the Low and Moderate Income Housing Fund were transferred to the Low and Moderate Income Housing Asset special revenue fund, and the unencumbered cash was transferred to the SARA. These transfers resulted in an extraordinary loss.

Redevelopment Agency Debt Service Fund – This fund received 80% of the Redevelopment Agency's tax increment revenue to repay outstanding debt and support the Agency's non-housing redevelopment projects. This fund ceased to exist on February 1, 2012, as a result of the dissolution of redevelopment by the State Legislature, and its assets and liabilities were transferred to the SARA. That transfer resulted in an extraordinary loss.

Redevelopment Agency Capital Projects Fund – This fund accounted for the remaining proceeds of tax allocation bonds and tax increment revenues that were not needed for debt service and could be used to fund the Agency's non-housing projects. This fund ceased to exist on February 1, 2012, as a result of the dissolution of redevelopment by the State Legislature, and its assets and liabilities were transferred to the SARA. That transfer resulted in an extraordinary loss.

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 2011/12 were 8.8% lower than the amount collected in FY 2010/11, reflecting the continuing challenges of the recession. During FY 2011/12, 60.5% of this fund's expenditures ($2.6 million) were for park-related projects, and 39.5% ($1.7 million) were for mitigating traffic-related impacts. In addition, $850,000 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 $61.0 million 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 of the past several years. In FY 2007/08, the total valuation of permits issued was $390.9 million. In FY 2008/09, as the country descended into the "great recession," there was a large decline in building permit activity and total valuation fell to $217.7 million. For FY 2011/12, there are signs of recovery in this area, as well, with valuation increasing to $258.1 million. However, at the end of FY 2011/12, restricted fund balance totaled $2.8 million, down 21.2% from $3.5 million 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 $6.0 million were 7.8% higher in FY 2011/12 than in the prior year ($5.5 million). Expenditures increased 6.1% (from $6.5 million to $6.9 million). At the end of FY 2011/12, committed fund balance was $5.0 million, an increase of $719,000 from 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.

Capital Improvement – This fund is used to account for capital improvements for the City, including public safety improvements, infrastructure, and other public works projects. Amounts in this fund are received as transfers from the General Fund, transfers from the former Redevelopment Agency in accordance with the terms of a public improvements grant agreement between the City and the former Agency, interest earned on invested cash balances, proceeds from the sale of certain parcels of land, or as proceeds of debt. During FY 2011/12, fund balance increased by $11.6 million (46.1%), primarily as a result of funds received in accordance with the public improvements grant agreement related to a major infrastructure project in Warm Springs, in partnership with BART and the Santa Clara Valley Transportation Authority (VTA).

Human Services – All of the City's various funding sources for human services are aggregated together for reporting purposes, with more detail about the subfunds presented as supplemental information. The primary funding sources for these programs are numerous federal and state grants (the most significant of which is the Community Development Block Grant [CDBG]), charges for services, donations, and a transfer from the General Fund. During FY 2011/12, fund balance increased by $360,000 (5.4%), to $7.0 million. Of this fund balance, 82.6% ($5.8 million) is restricted for social service programs in accordance with various grant agreements, and 17.4% ($1.2 million) is committed for social service programs.

Low and Moderate Income Housing Asset – As part of the dissolution of redevelopment agencies on February 1, 2012, the City elected to assume responsibility for the housing functions previously performed by the Redevelopment Agency. Accordingly, all non-cash assets of the Low and Moderate Income Housing Fund were transferred to the newly-created Low and Moderate Income Housing Asset fund the City established for the purposes of the City's assumption of the housing program. At the close of the fiscal year, the Low and Moderate Income Housing Asset fund had $443,000 of restricted fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget. During the year, there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits, such as leave cash-outs. Generally, the movement of the appropriations between departments was not significant. The other change between the original budget and the final budget was the reappropriation of amounts to satisfy encumbrances of the prior year, as authorized by the Council-adopted budget resolution.

Final Budget Compared to Actual Results. 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, 2012
(dollars in thousands)

	Original Budget	Final Budget	Actual Results	Favorable (Unfavorable) Variance from Final Budget
Beginning fund balance, July 1, 2011	**$ 25,660**	**$ 25,660**	**$ 28,062**	**$ 2,402**
Resources:				
Revenues	125,545	125,545	128,539	2,994
Transfers in	5,750	5,750	4,958	(792)
Total Resources	**131,295**	**131,295**	**133,497**	**2,202**
Charges to appropriations:				
Expenditures	118,611	118,974	115,468	3,506
Transfers out	18,746	18,746	15,089	3,657
Total charges to appropriations	**137,357**	**137,720**	**130,557**	**7,163**
Resources over (under) charges to appropriations	(6,062)	(6,425)	2,940	9,365
Ending fund balance, June 30, 2012	**$ 19,598**	**$ 19,235**	**$ 31,002**	**$ 11,767**

The actual beginning fund balance was $2.4 million higher than the beginning estimate used in the FY 2011/12 budget. Although total expenditures and transfers out during FY 2010/11 were $839,000 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 2011/12.

Overall, FY 2011/12 General Fund revenues and transfers in were 1.7% ($2.2 million) higher than budgeted. Compared to the prior year, revenues increased by 4.9% ($128.5 million in FY 2011/12, as compared to $122.5 million in FY 2010/11). This followed a year that saw a 2.3% increase in revenues.

The most significant differences between estimated revenues and actual revenues were as follows (dollars in thousands):

Revenue Source	Estimated Revenues	Actual Revenues	Difference	Percent
Property tax	$ 62,763	$ 64,432	$ 1,669	2.7%
Sales tax	31,335	33,066	1,731	5.5%
Vehicle license fees	828	220	(608)	(73.4%)
Business tax	7,004	7,496	492	7.0%
Other taxes	4,593	4,994	401	8.7%
Charges for services	8,558	7,984	(574)	(6.7%)
Investment earnings	711	505	(206)	(29.0%)

Property tax is the City's main revenue source in the General Fund, and it increased by $2.7 million or 4.4% from last fiscal year (from $61.7 million in FY 2010/11 to $64.4 million in FY 2011/12). The property tax increase is attributable to $3.5 million of property tax increment received as a result of the wind-down of redevelopment, which was partially offset by continuing sluggishness in the real estate market. This also explains why actual property tax revenues exceeded the budget estimate by only $1.7 million. 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. It is also more volatile than property tax. This increase is a positive indicator that the economy may finally be recovering from the "great recession" of the past few years.

Vehicle license fees (VLF) significantly missed the budget estimate because Senate Bill (SB) 89 eliminated, effective July 1, 2011, VLF revenue allocated under California Revenue and Taxation Code 11005 to cities. As a part of the Legislature's efforts to solve the State's chronic budget problems, SB 89 shifted all city VLF revenues to fund law enforcement grants that previously had been paid for by a temporary State tax and – prior to that – by the State's General Fund. Vehicle License Fee revenues collected by the Department of Motor Vehicles as a result of certain compliance procedures are allocated under Revenue and Taxation Code Section 11001.5(b). Half of these revenues go to counties and half go to cities, apportioned on a population basis. SB89 does not alter these revenues, which are allocated by the State Controller's Office in a single distribution each year.

Business tax revenues came in higher than budgeted because of successful enforcement efforts, combined with an improving local economy. Other taxes also showed improvement as compared to the budget estimate. The primary components of this $401,000 increase are a $595,000 increase in transient occupancy tax, offset by a $194,000 decrease in property transfer tax. The improvement in transient occupancy tax reflects an increase in both hotel/motel occupancy rates and room rates, and is a positive indicator that the economy may finally be recovering from the "great recession" of the past few years. The decrease in property transfer tax is indicative of the continuing sluggishness of the real estate market.

Charges for services is comprised of a number of different types of charges for things like providing animal services to other cities, use of the City's solid waste transfer station by other cities, and reviewing hazardous materials remediation plans. Actual charges for services were less than anticipated because the budget estimate assumed 3.5% growth when, in fact, there was a 3.4% decline from the prior year's actual revenue.

Investment earnings were 29.0% lower than anticipated at the time of budget adoption. The average portfolio yield declined during the year as many of the City's higher-yielding investments matured and the interest rate environment continued to be challenging, with interest rates remaining at historic low levels. As a result, cash was reinvested at lower rates, with a corresponding decline in investment earnings.

Despite a modest increase in revenues, active management of expenditures allowed the General Fund to end FY 2011/12 with an operating surplus of $2.9 million, compared to an operating deficit of $6.4 million that was anticipated in the original adopted budget. This was achieved by the continued low variable rate interest on the City's debt, as well as continued departmental spending reductions that resulted in the City spending $3.5 million less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City of Fremont's investment in capital assets as of June 30, 2012, amounts to $875.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, and bridges. The total decrease in capital assets for the current fiscal year was approximately 0.7%. Following is a summary of the City's capital assets (net of depreciation) at June 30, 2012 and 2011:

SUMMARY OF CAPITAL ASSETS
JUNE 30, 2012 AND 2011
(dollars in thousands)

	2012	2011	Percentage Change
Land	$ 202,167	$ 214,729	(5.9%)
Land improvements	5,448	5,448	0.0%
Infrastructure	468,525	467,405	0.2%
Buildings and improvements	153,158	155,011	(1.2%)
Equipment	5,954	5,615	6.0%
Vehicles	12,128	11,908	1.8%
Construction in progress	27,952	21,552	29.7%
Total capital assets	**$ 875,332**	**$ 881,668**	(0.7%)

In FY 2011/12, the City added $14.6 million in new capital assets and disposed of $18.1 million in capital assets. The disposals consisted of vehicles and equipment that were almost fully depreciated and the transfer of $14.5 million of land to the SARA. There were $1.8 million of additions to building improvements, consisting of the following facilities:

- Various Fire Station improvements of $768,000
- Fremont Main Library air conditioning system improvements of $68,000
- Completion of Fire Station 3 at a cost of $256,000
- A variety of modifications to other City facilities at a cost of $747,000

These additions were offset by depreciation expense of $3.7 million, resulting in a net decrease in buildings and improvements. The increase in construction in progress is primarily due to the Warren Mission Grade Separation project for $4.1 million and the police building seismic retrofit for $3.7 million. These additions were offset by completed project transfer outs.

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. At June 30, 2012, the City's roads and streets system was rated at a PCI of 62, up from the PCI of 61 in the prior year. With the City's ongoing budget challenges, finding sufficient resources to fund street maintenance will continue to be 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 2011/12, the City had $189.0 million in bonds and notes outstanding. Of this amount, $141.8 million is related to certificates of participation and $47.2 million is for general obligation bonds. Following is a summary schedule of outstanding debt:

SUMMARY OF LONG-TERM DEBT
JUNE 30, 2012
(dollars in thousands)

	Balance July 1, 2011	Incurred or Issued	Satisfied or Matured	Balance June 30, 2012
General Obligation Bonds:				
Fire Safety Bonds 2003 – Series A	$ 8,530	$ -	$ 8,270	$ 260
Fire Safety Bonds 2005 – Series B	23,950	-	570	23,380
Fire Safety Bonds 2009 – Series C	15,725	-	290	15,435
Fire Safety Bonds 2012	-	8,165	-	8,165
Certificates of Participation (COPs):				
1998 Public Financing Authority	9,645	-	340	9,305
1998 Public Financing Authority	14,080	-	14,080	-
2001 Public Financing Authority	28,830	-	28,830	-
2001B Public Financing Authority	7,180	-	7,180	-
2008 Public Financing Authority	26,785	-	505	26,280
2008 Public Financing Authority	46,960	-	915	46,045
2010 Public Financing Authority	15,000	-	-	15,000
2012A Public Financing Authority	-	12,990	-	12,990
2012B Public Financing Authority	-	32,125	-	32,125
Total	**$ 196,685**	**$ 53,280**	**$ 60,980**	**$ 188,985**

Of the outstanding debt, 46% is fixed rate debt (compared to 45% in the prior year), with an average interest rate of approximately 3.70% (compared to 3.90% in the prior year). The remaining 54% of the outstanding debt is variable rate debt, with an average interest rate of 0.17% as of June 30, 2012 (the same as the prior fiscal year). The average interest rate on all outstanding City debt is 1.80% at June 30, 2012 (the same as the prior fiscal year).

The City's total debt decreased by $7.7 million (3.9%) during the current fiscal year. The reason for the decrease is that all the new debt issuance was for the purpose of refunding existing debt, combined with regularly scheduled debt service payments on non-refunded debt. Two of the refundings were fixed rate issues (the 2012A COPs and the 2012 Fire Safety General Obligation Bonds), and they were done to take advantage of favorable interest rates. The result is a savings of approximately $140,000 per year in debt service costs to the General Fund (with a net present value over the life of the issue of approximately $1.7 million) for the COPs, and a net present value savings of $926,000 for Fremont taxpayers through a lower property tax levy for the General Obligation Bonds debt service.

The third refunding (the 2012B COPs) is a variable rate issue, and it was undertaken to replace a direct pay letter of credit, as well as to exchange some of the City's properties securing the refunded COPs with other City properties.

The City of Fremont maintains a AA rating with a stable outlook on its COPs, and a AA+ rating with a stable outlook on its general obligation debt from Standard & Poor's.

State law limits the amount of general obligation debt a governmental entity may issue to 15% of assessed value. The current debt limitation for the City of Fremont is $5.0 billion, which is significantly in excess of the City's outstanding general obligation debt. In addition to State law, the City Council adopted a debt policy in February 1996 that limits debt service obligations of the General Fund to 7% of budgeted expenditures and transfers out. As of July 1, 2012, debt service obligations were approximately 4.8% of budgeted expenditures and transfers out, which is in compliance with the policy.

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

After several years of budget shortfalls and painful decisions that have impacted services and the City's workforce, Fremont – along with the Bay Area generally – is finally recovering from the longest, deepest recession since the Great Depression of the 1930s. Unlike any recession since World War II, this last economic downturn will leave a lasting mark on the U.S. economy, and it has almost certainly shifted the long-run growth path of the nation permanently down to a lower path. The broadest measure of productivity in the United States, gross domestic product, increased by 2.7% in the third quarter of 2012, largely due to increased personal spending, federal government spending, investment in residential real estate.

California is also headed down the road toward economic recovery. Although things continue to move in the right direction, there is still a long way to go to full recovery. California has added back more than 320,000 jobs lost during the recession. This is particularly noteworthy because of ongoing job losses in the government sector, which means that the overall increase is an indicator that private sector employment is doing even better. In addition, since hitting bottom in the second quarter of 2009, taxable sales in California have experienced 12 consecutive quarters of positive growth, representing more than a 20% increase in nominal spending by the State's consumers. In addition, there is a slow but steady increase in homebuyer demand across the State. Unlike many states that were hit hard by the mortgage market crash, California continues to maintain one of the lowest overall housing vacancy rates in the nation – something that bodes well for future homebuilding.

As a result of many strategic decisions over the past several years, successful labor negotiations in FY 2011/12, and implementation of the Council-adopted Strategic Fiscal Sustainability Action Plan, resources are once again becoming available to help address the City's long list of unmet needs. Total budgeted resources in the coming year will be adequate to support total budgeted expenditures of $133.5 million. The FY 2012/13 budget is 0.5% less than the prior year's adopted budget, reflecting the long, slow nature of this economic recovery. Although encouraged by indicators that a modest recovery is finally underway, management remains cautious and concerned about future revenue growth and its ability to keep pace with the costs of much-needed basic services.

Although California voters approved Proposition 30 on the November 2012 ballot, which increases personal income taxes on high-income taxpayers for 7 years and sales taxes for 4 years, the instability of the State budget continues to be a real threat to local governments, including Fremont. Seventy-eight 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.

The prudent budgeting and reserve policies developed since the last three recessions in the early part of the 1990s and the 2000s have enabled the City to manage through significant economic downturns. 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.

Government-Wide Financial Statements

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City of Fremont

Statement of Net Assets

June 30, 2012

(With comparative totals for June 30, 2011)

	Governmental Activities	
ASSETS	2012	2011
Current assets:		
Cash and investments held by City	$ 197,176,714	$ 258,301,670
Restricted cash and investments held by fiscal agent or City	10,854,349	19,870,857
Receivables:		
Property tax	1,658,050	798,841
Sales tax	4,868,847	3,952,883
Due from other governmental agencies	13,325,559	7,560,089
Accrued interest	617,833	974,540
Transient occupancy tax	513,368	405,050
Franchise fees	948,852	899,692
Accounts receivable	1,870,598	1,738,561
Other	553,177	946,845
Total receivables	24,356,284	17,276,501
Prepaid assets	-	4,279,061
Total current assets	232,387,347	299,728,089
Noncurrent assets:		
Housing loans receivable, net	4,965,087	5,053,437
Condemnation deposits	333,285	1,324,485
Deferred charges	2,514,292	1,715,538
Land held for resale	2,821,430	2,821,430
Capital assets:		
Nondepreciable assets	693,111,617	697,854,238
Depreciable assets, net	182,220,819	183,813,539
Total capital assets, net	875,332,436	881,667,777
Total noncurrent assets	885,966,530	892,582,667
Total assets	1,118,353,877	1,192,310,756
LIABILITIES		
Current liabilities:		
Accounts payable	8,848,426	6,680,323
Salaries and wages payable	6,219,461	6,693,672
Compensated absences	2,146,780	2,284,823
Claims payable	4,643,000	4,646,000
Due to other governmental agencies	-	14,109,883
Interest payable	1,308,835	1,751,625
Unearned revenue	2,931,777	3,293,691
Other liabilities	1,929,061	-
Long-term debt - due within one year	5,430,000	4,890,000
Total current liabilities	33,457,340	44,350,017
Noncurrent liabilities:		
Compensated absences	6,440,341	6,854,467
Claims payable	9,766,000	9,060,000
Pollution remediation obligation	424,645	1,066,889
Net other post employment benefits liability	15,103,000	10,660,000
Long-term debt - due in more than one year	184,812,873	192,609,979
Total noncurrent liabilities	216,546,859	220,251,335
Total liabilities	250,004,199	264,601,352
NET ASSETS		
Invested in capital assets, net of related debt	691,660,486	685,667,798
Restricted for:		
Social service programs	10,692,398	8,946,273
Debt service	4,273,390	7,131,399
Public safety	1,904,835	13,983,749
Street improvements	29,640,961	24,281,177
Community development	69,961,464	149,202,558
Other purposes	566,102	488,071
Total restricted	117,039,150	204,033,227
Unrestricted	59,650,042	38,008,379
Total net assets	$ 868,349,678	$ 927,709,404

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Activities
For the fiscal year ended June 30, 2012
(With comparative totals for the fiscal year ended June 30, 2011)

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	$ 10,747,362	$ 835,913	$ -	$ -	$ 835,913
Police services	54,904,248	4,063,168	1,571,813	-	5,634,981
Fire services	35,276,141	2,825,041	685,752	-	3,510,793
Human services	9,187,754	1,518,996	4,205,787	-	5,724,783
Capital assets maintenance and operations	56,293,833	4,632,786	19,680,758	5,370,208	29,683,752
Recreation and leisure services	7,240,833	5,981,911	-	-	5,981,911
Community development and environmental services	18,982,320	14,213,061	2,376,909	-	16,589,970
Interest on debt	6,101,394	-	-	-	-
Total	$ 198,733,885	$ 34,070,876	$ 28,521,019	$ 5,370,208	$ 67,962,103

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:

Extraordinary loss from dissolution of the Redevelopment Agency

Change in net assets

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	
2012	2011
$ (9,911,449)	$ (10,971,245)
(49,269,267)	(49,754,204)
(31,765,348)	(30,929,812)
(3,462,971)	(3,123,057)
(26,610,081)	(27,304,495)
(1,258,922)	(1,190,502)
(2,392,350)	(28,908,194)
(6,101,394)	(6,373,866)
(130,771,782)	(158,555,375)
81,383,794	100,080,165
33,065,829	30,089,204
7,495,975	6,820,327
4,132,665	3,475,913
861,352	1,031,249
126,939,615	141,496,858
219,730	991,459
6,193,879	6,790,105
8,255,221	8,215,061
2,289,171	4,296,980
5,020,001	4,326,561
148,917,617	166,117,024
(77,505,561)	-
(59,359,726)	7,561,649
927,709,404	920,147,755
$ 868,349,678	$ 927,709,404

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Governmental Funds Financial Statements

City of Fremont
Balance Sheet
Governmental Funds
June 30, 2012
(With comparative totals for June 30, 2011)

	Major Funds					
	General Fund	Redevelopment Agency Operations	Low and Moderate Income Housing	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Development Impact Fees
ASSETS						
Cash and investments held by City	$ 24,755,594	$ -	$ -	$ -	$ -	$ 61,136,481
Restricted cash and investments held by fiscal agent or City	-	-	-	-	-	-
Receivables:						
Property tax	1,626,002	-	-	-	-	-
Sales tax	4,868,847	-	-	-	-	-
Due from other governmental agencies	959,822	-	-	-	-	-
Housing loans receivable, net	558,293	-	-	-	-	-
Accrued interest	617,833	-	-	-	-	-
Transient occupancy tax	513,368	-	-	-	-	-
Franchise fees	948,852	-	-	-	-	-
Accounts receivable	517,981	-	-	-	-	31,315
Other	115,347	-	-	-	-	-
Due from other funds	2,889,724	-	-	-	-	-
Prepaid assets	-	-	-	-	-	-
Total assets	$ 38,371,663	$ -	$ -	$ -	$ -	$ 61,167,796
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 1,596,374	$ -	$ -	$ -	$ -	$ 145,486
Salaries and wages payable	5,057,687	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governmental agencies	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Deferred revenue	715,596	-	-	-	-	-
Total liabilities	7,369,657	-	-	-	-	145,486
Fund Balances:						
Nonspendable:						
Prepaid assets	-	-	-	-	-	-
Restricted for:						
Social service programs	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Street improvements	-	-	-	-	-	-
Community development	-	-	-	-	-	61,022,310
Other purposes	-	-	-	-	-	-
Committed for:						
Social service programs	-	-	-	-	-	-
Recreation programs	-	-	-	-	-	-
Assigned for:						
Vehicle replacement	-	-	-	-	-	-
Program investment reserve	3,660,235	-	-	-	-	-
Other capital projects	-	-	-	-	-	-
Unassigned	27,341,771	-	-	-	-	-
Total fund balances	31,002,006	-	-	-	-	61,022,310
Total liabilities and fund balances	$ 38,371,663	$ -	$ -	$ -	$ -	$ 61,167,796

See accompanying Notes to Basic Financial Statements.

Major Funds						Total Governmental Funds	
Development Cost Center	Recreation Services	Capital Improvement	Human Services	Low and Moderate Income Housing Asset	Non-major Funds	2012	2011
$ 4,696,443	$ 6,255,423	$ 30,755,095	$ 6,220,714	$ 451,487	$ 42,867,560	$ 177,138,797	$ 240,454,574
-	8,707	6,570,923	-	-	4,274,719	10,854,349	19,870,857
			-	-			
-	-	-	-	-	32,048	1,658,050	798,841
-	-	-	-	-	-	4,868,847	3,952,883
100,649	-	-	2,455,116	-	9,809,972	13,325,559	7,560,089
-	-	-	1,406,794	3,000,000	-	4,965,087	5,053,437
-	-	-	-	-	-	617,833	974,540
-	-	-		-	-	513,368	405,050
-	-	-	-	-	-	948,852	899,692
331,454	-	163,001	65,392	-	761,455	1,870,598	1,738,561
-	2,736	200,986	-	-	107,076	426,145	789,575
-	-	-	-	-	-	2,889,724	2,236,463
-	-	-	-	-	-	-	4,279,061
$ 5,128,546	$ 6,266,866	$ 37,690,005	$ 10,148,016	$ 3,451,487	$ 57,852,830	$ 220,077,209	$ 289,013,624
$ 83,005	$ 161,391	$ 1,060,958	$ 541,660	$ 2,945	$ 4,959,875	$ 8,551,694	$ 6,458,187
494,053	236,610	-	229,002	5,774	54,105	6,077,231	6,559,135
-	-	-	955,140	-	1,934,584	2,889,724	2,236,463
-	-	-	-	-	-	-	14,109,883
-	-	-	-	-	1,929,061	1,929,061	-
1,769,860	884,996	-	1,393,197	3,000,000	119,618	7,883,267	6,833,531
2,346,918	1,282,997	1,060,958	3,118,999	3,008,719	8,997,243	27,330,977	36,197,199
-	-	-	-	-	-	-	1,270,641
-	-	-	5,804,407	442,768	52,026	6,299,201	5,678,205
-	-	-	-	-	4,273,390	4,273,390	7,167,486
-	-	6,570,923	-	-	1,904,835	8,475,758	13,983,749
-	-	-	-	-	29,640,961	29,640,961	23,021,363
2,781,628	-	-	-	-	5,824,241	69,628,179	148,381,813
-	-	-	-	-	566,102	566,102	488,071
-	-	-	1,224,610	-	2,751,519	3,976,129	2,820,714
-	4,983,869	-	-	-	-	4,983,869	4,265,262
-	-	-	-	-	3,842,513	3,842,513	4,240,492
-	-	-	-	-	-	3,660,235	3,660,235
-	-	30,058,124	-	-	-	30,058,124	13,447,852
-	-	-	-	-	-	27,341,771	24,390,542
2,781,628	4,983,869	36,629,047	7,029,017	442,768	48,855,587	192,746,232	252,816,425
$ 5,128,546	$ 6,266,866	$ 37,690,005	$ 10,148,016	$ 3,451,487	$ 57,852,830	$ 220,077,209	$ 289,013,624

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City of Fremont
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets
June 30, 2012
(With comparative totals for June 30, 2011)

	2012	2011
Total Fund Balances - Total Governmental Funds	$ 192,746,232	$ 252,816,425
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 capital assets of $2,780,458 and $2,484,606 at June 30, 2012 and 2011, respectively.	872,551,978	879,183,171
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.	(1,308,835)	(1,751,625)
Costs associated with the issuance of bonds are recorded when issued in the governmental funds but are deferred and amortized over the terms of the bonds in the Government-Wide Financial Statements.	2,514,292	1,715,538
Condemnation deposits are reported as noncurrent assets; however, such deposits are reported as expenditures in Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances.	333,285	1,324,485
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.	10,918,875	9,247,728
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	558,293	571,725
Deferred revenues recorded in governmental funds 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.	4,393,197	2,968,115
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.	(8,587,121)	(9,139,290)
Other Post Employment Benefits Liability on Government-Wide Statements of Net Assets are not due and payable and therefore are not reported in the Governmental Funds Balance Sheet.	(15,103,000)	(10,660,000)
Pollution remediation obligations are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	(424,645)	(1,066,889)
Long-term debt is not due and payable in the current period and therefore is not reported in the Governmental Funds Balance Sheet.	(190,242,873)	(197,499,979)
Net Assets of Governmental Activities	$ 868,349,678	$ 927,709,404

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2012
(With comparative totals for the fiscal year ended June 30, 2011)

	Major Funds					
	General Fund	Redevelopment Agency Operations	Low and Moderate Income Housing	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Development Impact Fees
REVENUES						
Property tax	$ 64,431,524	$ 568,129	$ 3,509,805	$ 9,586,611	$ -	$ -
Sales tax	33,065,829	-	-	-	-	-
Vehicle license fees	219,730	-	-	-	-	-
Intergovernmental	234,508	-	-	-	-	-
Business tax	7,495,975	-	-	-	-	-
Other taxes	4,994,017	-	-	-	-	-
Impact fees	-	-	-	-	-	6,193,879
Franchise fees	8,255,221	-	-	-	-	-
Charges for services	7,983,701	-	-	-	-	-
Investment earnings	504,509	168,138	127,890	(206,828)	(356,004)	768,339
Other	1,353,636	410,021	160,302	-	-	-
Total revenues	128,538,650	1,146,288	3,797,997	9,379,783	(356,004)	6,962,218
EXPENDITURES						
Current:						
General government	10,326,841	-	-	-	-	-
Police services	52,248,503	-	-	-	-	-
Fire services	32,351,048	-	-	-	-	-
Human services	-	-	-	-	-	-
Capital assets maintenance and operations	18,708,588	-	-	-	-	4,358,973
Recreation and leisure services	-	-	-	-	-	-
Community development and environmental services	692,176	1,036,297	483,248	-	1,673,637	-
Intergovernmental	-	-	-	-	-	-
Capital outlay	82,140	-	-	-	3,027,598	9,809
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	1,058,472	-	(40,929)	-	-	-
Payment to refunding escrow	-	-	-	-	-	-
Total expenditures	115,467,768	1,036,297	442,319	-	4,701,235	4,368,782
REVENUES OVER (UNDER) EXPENDITURES	13,070,882	109,991	3,355,678	9,379,783	(5,057,239)	2,593,436
OTHER FINANCING SOURCES (USES)						
Debt issuance	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-
Payment to refunding escrow	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	4,958,579	-	-	-	-	-
Transfers out	(15,089,059)	(112,389)	(45,878)	-	(16,288,957)	(850,000)
Total other financing sources (uses)	(10,130,480)	(112,389)	(45,878)	-	(16,288,957)	(850,000)
Extraordinary loss	-	(6,742,459)	(20,169,618)	(17,645,526)	(19,904,910)	-
Net change in fund balances	2,940,402	(6,744,857)	(16,859,818)	(8,265,743)	(41,251,106)	1,743,436
FUND BALANCES						
Beginning of year, as reported	28,061,604	6,744,857	18,359,818	8,265,743	46,251,106	59,278,874
Prior period adjustment	-	-	(1,500,000)	-	(5,000,000)	-
Beginning of year, as restated	28,061,604	6,744,857	16,859,818	8,265,743	41,251,106	59,278,874
End of year	$ 31,002,006	$ -	$ -	$ -	$ -	$ 61,022,310

See accompanying Notes to Basic Financial Statements.

Major Funds						Total Governmental Funds	
Development Cost Center	Recreation Services	Capital Improvement	Human Services	Low and Moderate Income Housing Asset	Non-major Funds	2012	2011
$ -	$ -	$ -	$ -	$ -	$ 3,287,725	$ 81,383,794	$ 100,080,165
-	-	-	-	-	-	33,065,829	30,089,204
-	-	-	-	-	-	219,730	991,459
-	-	-	5,391,613	-	27,572,157	33,198,278	21,342,310
-	-	-	-	-	-	7,495,975	6,820,327
-	-	-	-	-	-	4,994,017	4,507,162
-	-	-	-	-	-	6,193,879	6,790,105
-	-	-	-	-	-	8,255,221	8,215,061
8,007,846	5,966,154	2,412,676	1,502,378	-	7,627,973	33,500,728	30,763,760
81,032	91,863	280,594	59,141	2,783	534,725	2,056,182	4,062,605
-	81,060	-	728,184	559,564	1,497,668	4,790,435	4,259,458
8,088,878	6,139,077	2,693,270	7,681,316	562,347	40,520,248	215,154,068	217,921,616
-	-	-	-	-	-	10,326,841	11,626,724
-	-	-	-	-	1,137,848	53,386,351	53,438,082
-	-	-	-	-	617,218	32,968,266	32,088,475
-	-	-	8,463,128	-	669,571	9,132,699	8,937,090
1,987,937	-	3,691,524	6,399	-	24,085,995	52,839,416	37,741,086
-	6,904,449	-	-	-	-	6,904,449	6,509,957
6,844,742	-	-	1,500,495	111,743	6,908,349	19,250,687	30,765,728
-	-	-	-	-	-	-	16,404,213
-	-	4,346,909	-	-	3,946,988	11,413,444	24,358,920
			-	-			
-	-	-	-	-	4,890,000	4,890,000	4,680,000
-	-	-	126,012	-	5,529,215	6,672,770	6,730,327
-	-	-		-	2,844,665	2,844,665	-
8,832,679	6,904,449	8,038,433	10,096,034	111,743	50,629,849	210,629,588	233,280,602
(743,801)	(765,372)	(5,345,163)	(2,414,718)	450,604	(10,109,601)	4,524,480	(15,358,986)
-	-	-	-	-	53,280,000	53,280,000	15,000,000
-	-	-	-	-	1,272,726	1,272,726	-
-	-	-	-	-	(53,245,335)	(53,245,335)	-
-	-	-	-	-	60,449	60,449	4,372,117
2,183,659	2,361,535	16,934,957	3,862,960	-	6,704,396	37,006,086	48,045,240
(2,188,874)	(877,556)	(27,150)	(1,088,198)	(7,836)	(430,189)	(37,006,086)	(47,269,403)
(5,215)	1,483,979	16,907,807	2,774,762	(7,836)	7,642,047	1,367,840	20,147,954
-	-	-	-	-	-	(64,462,513)	-
(749,016)	718,607	11,562,644	360,044	442,768	(2,467,554)	(58,570,193)	4,788,968
3,530,644	4,265,262	25,066,403	6,668,973	-	46,323,141	252,816,425	248,027,457
-	-	-	-	-	5,000,000	(1,500,000)	-
3,530,644	4,265,262	25,066,403	6,668,973	-	51,323,141	251,316,425	248,027,457
$ 2,781,628	$ 4,983,869	$ 36,629,047	$ 7,029,017	$ 442,768	$ 48,855,587	$ 192,746,232	$ 252,816,425

City of Fremont

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

For the fiscal year ended June 30, 2012

(With comparative totals for the fiscal year ended June 30, 2011)

	2012	2011
Net Change in Fund Balances - Total Governmental Funds	$ (58,570,193)	$ 4,788,968
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, 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.	11,823,746	19,986,803
Condemnation deposit increase/decrease due to land acquired and legal expenses paid during the year.	88,887	512,335
Contributions of infrastructure assets from developers not reported as revenue in governmental funds.	1,351,447	237,766
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation, net of $131,343 and $272,127, for the years ended June 30, 2012 and 2011, respectively, from the Internal Service Funds is not reported as an expenditure in governmental funds.	(6,105,831)	(6,417,111)
Losses on the disposal of capital assets and transfers of capital assets to the Successor Agency to the Redevelopment Agency of the City of Fremont are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, losses are not reported as expenditures in governmental funds.	(14,744,684)	(258,949)
Bond proceeds and premium on debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets.	(54,552,726)	(15,000,000)
Repayment and refunding of bond principal is an expenditure in governmental funds, but the repayment and refunding reduces long-term liabilities in the Government-Wide Statement of Net Assets.	60,980,000	6,180,000
Revenues that do not meet the criteria for accrual are recorded as deferred revenues in the Governmental Funds Balance Sheet. In the Government-Wide Statement of Activities, these amounts are recorded as revenues.	(88,350)	(1,482,765)
The net change in interest payable on long-term debt is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources.	442,790	256,402
Unamortized long-term premium is deferred and amortized in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, unamortized long-term premium is not reported as an expenditure in governmental funds.	(670,168)	(26,970)
Bond issuance costs are deferred and amortized in Government-Wide Statement of Activities, but are reported as expenditures in governmental funds.	798,754	127,029
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.	1,671,147	1,349,247
Capital assets transferred from governmental funds to internal service funds are reported as a capital contribution in the internal service funds. The capital contribution is not reported in the Government-Wide Statement of Activities.	(35,958)	-
The City's net OPEB liability on the Government-Wide Statement of Activities are not due and payable in the current period and therefore the changes are not reported in the governmental funds.	(4,443,000)	(3,703,000)
Pollution remediation obligations are not due and payable in the current period and therefore the changes are not reported in the governmental funds.	642,244	1,358,111
Long-term compensated absences are not due and payable in the current period and therefore the changes are not reported in the governmental funds.	552,169	(346,217)
Long-term liabilities transferred to the Successor Agency to the Redevelopment Agency of the City of Fremont are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	1,500,000	-
Change in Net Assets of Governmental Activities	$ (59,359,726)	$ 7,561,649

See accompanying Notes to Basic Financial Statements.

Proprietary Fund Financial Statements

City of Fremont
Statement of Fund Net Assets
Proprietary Fund
June 30, 2012
(With comparative totals for June 30, 2011)

	Internal Service	
	2012	2011
ASSETS		
Current assets:		
Cash and investments held by City	$ 20,037,917	$ 17,847,096
Other receivables	127,032	157,269
Total current assets	20,164,949	18,004,365
Noncurrent assets:		
Depreciable assets	8,107,250	8,985,907
Less accumulated depreciation	(5,326,792)	(6,501,301)
Land held for resale	2,821,430	2,821,430
Total noncurrent assets	5,601,888	5,306,036
Total assets	25,766,837	23,310,401
LIABILITIES		
Current liabilities:		
Accounts payable	296,732	222,136
Salaries and wages payable	142,230	134,537
Claims payable	4,643,000	4,646,000
Total current liabilities	5,081,962	5,002,673
Noncurrent liabilities:		
Claims payable	9,766,000	9,060,000
Total noncurrent liabilities	9,766,000	9,060,000
Total liabilities	14,847,962	14,062,673
NET ASSETS		
Invested in capital assets	2,780,458	2,484,606
Unrestricted	8,138,417	6,763,122
Total net assets	$ 10,918,875	$ 9,247,728

See accompanying Notes to Basic Financial Statements.

City of Fremont

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Fund

For the fiscal year ended June 30, 2012

(With comparative totals for the fiscal year ended June 30, 2011)

	Internal Service	
	2012	2011
OPERATING REVENUES		
Charges for services	$ 12,704,567	$ 13,030,445
Other	229,566	67,103
Total operating revenues	12,934,133	13,097,548
OPERATING EXPENSES		
Salaries and wages	3,856,651	2,975,421
Insurance premiums	843,048	840,153
Provision for claim losses	4,312,526	5,550,373
Claims administration	257,106	288,082
Materials and supplies	2,070,384	1,235,662
Depreciation	131,343	256,272
Other	60,875	60,876
Total operating expenses	11,531,933	11,206,839
OPERATING INCOME	1,402,200	1,890,709
NONOPERATING REVENUES		
Investment income	232,989	234,375
Total nonoperating revenues	232,989	234,375
Contributed capital assets	35,958	-
Transfers in	-	38,109
Transfers out	-	(813,946)
INCREASE IN NET ASSETS	1,671,147	1,349,247
NET ASSETS		
Beginning of year	9,247,728	7,898,481
End of year	$ 10,918,875	$ 9,247,728

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Cash Flows
Proprietary Fund
For the fiscal year ended June 30, 2012
(With comparative totals for the fiscal year ended June 30, 2011)

	Internal Service	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from users	$ 12,734,804	$ 13,060,383
Other revenue	229,566	67,103
Less: Payments to suppliers	(3,095,942)	(2,263,293)
Payments for employee services	(3,848,958)	(2,953,481)
Payments for claims paid	(3,609,526)	(5,432,373)
Payments to others	(60,875)	(60,875)
Net cash provided by operating activities	2,349,069	2,417,464
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	232,989	234,375
Net cash provided by investing activities	232,989	234,375
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	(391,237)	(95,306)
Net cash used in capital financing activities	(391,237)	(95,306)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers in	-	38,109
Transfers out	-	(813,946)
Net cash used in noncapital financing activities	-	(775,837)
Net increase in cash and cash investments	2,190,821	1,780,696
CASH AND INVESTMENTS:		
Beginning of year	17,847,096	16,066,400
End of year	$ 20,037,917	$ 17,847,096
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 1,402,200	$ 1,890,709
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	131,343	256,272
Changes in operating assets and liabilities:		
Other receivables	30,238	29,938
Accounts payable	74,595	100,605
Salaries and wages payable	7,693	21,940
Claims payable	703,000	118,000
Net cash provided by operating activities	$ 2,349,069	$ 2,417,464
Noncash capital financing activities		
Contributed capital assets received	$ 35,958	$ -

See accompanying Notes to Basic Financial Statements.

Fiduciary Funds Financial Statements

City of Fremont

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

(With comparative totals for June 30, 2011)

	Private Purpose Trust Fund - SARA	Agency Funds	Total 2012	Total 2011
ASSETS				
Cash and investments held by City	$ -	$ 10,701,870	$ 10,701,870	$ 11,395,134
Cash held by SARA	54,343,733	-	54,343,733	-
Restricted cash and investments held by fiscal agent or City	-	4,946,653	4,946,653	7,190,260
Accounts receivable	620,317	11,342	631,659	23,390
Prepaids	402,082	71,398	473,480	-
Other receivables	13,771	35,248	49,019	4,460
Nonrepreciable capital assets	14,543,048	-	14,543,048	-
Total assets	69,922,951	$ 15,766,511	85,689,462	18,613,244
LIABILITIES				
Accounts payable	84,269	$ 125,868	210,137	508,935
Cash overdraft	-	-	-	1,657
Due to other government agencies	46,528,457	-	46,528,457	-
Unearned revenue	124,999	-	124,999	-
Loans payable	1,500,000	-	1,500,000	-
Deposits	-	15,640,643	15,640,643	18,102,652
Total liabilities	48,237,725	$ 15,766,511	64,004,236	18,613,244
NET ASSETS				
Net assets held in trust for redevelopment agency dissolution	$ 21,685,226		$ 21,685,226	$ -

See accompanying Notes to Basic Financial Statements.

City of Fremont
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the fiscal year ended June 30, 2012
(With comparative totals for the fiscal year ended June 30, 2011)

	Private Purpose Trust Fund - SARA	Total 2012	Total 2011
ADDITIONS:			
Developers contributions	$ 125,000	$ 125,000	$ -
Others	23,333	23,333	-
Total additions	148,333	148,333	-
DEDUCTIONS:			
Community development and environmental services	1,046,400	1,046,400	-
Payment to Alameda County for distribution to taxing entities	42,075,849	42,075,849	-
Pass-through payments	12,846,419	12,846,419	-
Total deductions	55,968,668	55,968,668	-
Extraordinary gain from Redevelopment Agency Dissolution	77,505,561	77,505,561	-
Change in net assets	21,685,226	21,685,226	-
NET ASSETS			
Beginning of year	-	-	-
End of year	$ 21,685,226	$ 21,685,226	$ -

See accompanying Notes to Basic Financial Statements.

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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 Board (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. Until June 28, 2011, funds for redevelopment projects were provided from various sources, including incremental property tax revenues, tax allocation bonds and advances from the City.

On June 28, 2011, Assembly Bill x1 26 (ABx1 26) was enacted. This legislation is referred to herein as the Redevelopment Dissolution Act. On December 29, 2011, the California Supreme Court upheld the constitutionality of ABx1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of redevelopment activity. At the City's Council meeting on January 10, 2012, the City Council affirmed its decision to serve as the Successor Agency to the Redevelopment Agency of the City of Fremont, effective February 1, 2012. Upon dissolution, the City Council elected to serve as the Housing Successor and retain the housing assets, functions and powers previously performed by the former Agency. The Housing Successor's financial data and transactions are included in the City's Low and Moderate Income Housing Asset major governmental fund.

Successor Agency to the Redevelopment Agency of the City of Fremont (SARA) – A separate governmental entity established on February 1, 2012, for the purpose of serving as a custodian of the former Agency's assets and winding down the former Agency's activities subject to the direction of an Oversight Board.

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. Although the Agency ceased to exist after January 31, 2012, that occurrence had no effect on the existence of 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. Although the Agency ceased to exist after January 31, 2012, that occurrence had no effect on the existence of the Social Services JPA.

The City Council serves in separate session as the governing body of the Agency, the SARA, 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 and Leisure 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.

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. 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 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 fund balances and change in fund balances as presented in these statements to the net assets and change in 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 Agency's operating fund and was funded with transfers from the Redevelopment Agency Debt Service Fund. This fund recorded the administrative expenditures required to support the Agency's capital projects and included pass-through payments to other taxing entities for the seven months ended January 31, 2012. Assets and liabilities of this fund were transferred to the SARA upon dissolution of the former Agency.

> *Low and Moderate Income Housing* – This fund received 20% of the Agency's tax increment revenue as a set aside for development of affordable housing developments until January 31, 2012. Assets and liabilities of this fund were transferred to the Low and Moderate Income Housing Asset major governmental fund and the SARA upon dissolution of the former Agency.

Redevelopment Agency Debt Service – This fund received 80% of tax increment revenue to support the Agency's non-housing redevelopment projects. Revenues were used to pay annual principal and interest charges on the Agency's tax allocation bonds, and were also transferred to the Agency's Operations Fund or Capital Projects Fund, as needed until January 31, 2012. Assets and liabilities of this fund were transferred to the SARA upon dissolution of the former Agency.

Redevelopment Agency Capital Projects – This fund included the remaining proceeds of the tax allocation bonds and tax increment revenues that were designated for the Agency's non-housing projects for the seven months ended January 31, 2012. Assets and liabilities of this fund were transferred to the SARA upon dissolution of the former Agency.

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.

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.

Human Services – This 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.

Low and Moderate Income Housing Asset – This is a special revenue fund created to administer the housing assets and functions related to the Low and Moderate Income Housing Program retained by the City following the dissolution of the former Agency.

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.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Fund Net Assets, a Statement of Revenues, Expenses and Changes in Fund 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 Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund 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 Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. The City's fiduciary funds consist of a private purpose trust fund and agency funds. The City's private purpose trust fund is used to account for activities of the SARA. The City's agency funds are custodial in nature and do not involve measurement of results of operations. The fiduciary funds use the accrual basis of accounting.

The City reports the following private-purpose trust fund:

Successor Agency to the Redevelopment Agency of the City of Fremont (SARA) – The SARA was created to serve as a custodian for the assets and to wind down the affairs of the former Agency. This fund accounts for the receipt of property tax revenues pursuant to the Redevelopment Dissolution Act and the value of the assets transferred from the former Agency. The SARA's assets can only be used to pay enforceable obligations in existence at the date of dissolution pursuant to the Recognized Obligation Payment Schedules approved by the State Department of Finance under the Redevelopment Dissolution Act.

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. Although the bonds were paid in full in February 2010, this fund will continue to exist until FY 2012/13, when the loan from the Integrated Waste Management fund to the Authority will be fully repaid.

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.

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 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 is 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 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 fair 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 interest rate 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 resources or the occurrence of specific expenditures to 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. All other infrastructure systems are depreciated over their estimated useful lives.

The City commissioned an appraisal of City-owned infrastructure and property as of December 31, 2001, and has completed internal updates for June 30, 2012. 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 and loss adjustment expenses. 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 when due and payable 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 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. At June 30, 2012, restricted net assets for governmental activities in the amount of approximately $3,130,000 are restricted by enabling legislation.

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, 2012, 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 is the highest level of decision-making authority for the City that can, by adoption of an ordinance or resolution, either action is equally binding as the other, commit fund balances. 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 the City Council or an official to whom the City Council has delegated the authority (generally, 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 and Fund Balances

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 are 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 – helps 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 – 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 the 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 assigned fund balance in the General Fund.

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 for other purposes. 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. Accordingly, the City accrues 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.

The County assesses property values, levies bills, and collects taxes as follows:

	Secured	Unsecured
Lien Dates	January 1	January 1
Levy Dates	January 1	January 1
Due Dates	50% on November 1	July 1
	50% on February 1	
Delinquent after	December 10 (for November)	August 31
	April 10 (for February)	

The City does not have 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. Effects of New Pronouncements

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses and the accounting and reporting for report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs include long-term arrangements in which a government ("transferor") engages a company or another government ("operator") to operate a major capital asset in return for the right to collect fees from users of the capital asset. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In December 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and 34*. GASB Statement No. 61 is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. This statement improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units) and amends the criteria for blending - reporting component units as if they were part of the primary government - in certain circumstances. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Application of this statement is effective for the City's fiscal year ending June 30, 2013.

In March 2012, the GASB issued Statement No. 65, I*tems Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 - An Amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include the following:

- Separating the determination of accounting and financial reporting from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the yield or index rate on tax-exempt 20-year general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statements relate to accounting and financial reporting and do not apply to a government's approach the funding of its pension plan. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in financial statements. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement No. 67 is effective for financial statements for the City's fiscal year ending June 30, 2014. Application of Statement No. 68 is effective for the City's fiscal year ending June 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is intended to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. This statement provides guidance for determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

P. Extraordinary items

Extraordinary items are both 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated, or only incidentally related, to the ordinary and typical activities of the entity) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates). Details of the extraordinary item are described in Note 13.

Q. Comparative Data

Comparative total data for the prior year have been presented in order to provide an understanding of the overall changes in the financial position and operations of the City. Certain fiscal year 2010/11 amounts presented as summarized comparative financial information in the basic financial statements have been reclassified for comparative purposes to conform to the presentation in the fiscal year 2011/12 basic financial statements.

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 agent. 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 agent 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 counterparty'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, 2012.

	Primary Government - Governmental Activities	Fiduciary Funds	Totals
Cash and investments held by the City	$ 197,176,714	$ 10,701,870	$ 207,878,584
Restricted cash and investment held by fiscal agent or City	10,854,349	4,946,653	15,801,002
Cash held by SARA	-	54,343,733	54,343,733
Total cash and investments	208,031,063	69,992,256	278,023,319
Less: cash and deposits not meeting the definition of investments	(24,255,514)	(54,343,733)	(78,599,247)
Total investments	$ 183,775,549	$ 15,648,523	$ 199,424,072

B. Risk Disclosures - Deposits

At June 30, 2012, the carrying and bank amounts of the City's cash and deposits were was $78,599,247 and $82,651,414, respectively. Of the bank balance, $1,450,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and $81,201,414 was collateralized. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

C. Risk Disclosure - Investments

In the governmental 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, 2012, the City did not hold investments that are "highly sensitive to interest rate fluctuations," as defined by GASB Statement No. 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. The weighted-average life of the portfolio was 535 days, without regard to call features of many of the bonds held in the portfolio.

As of June 30, 2012, the City's investments consisted of the following:

Investment Type	Moody's Rating	Fair Value	INVESTMENT MATURITIES 1 Year or Less	1-2 Years	2-3 Years	3-4 Years	4-5 Years	More than 5 Years
Pooled investments held by the City:								
U.S. Agencies:								
Federal Farm Credit Bank Bonds (FFCB)	Aaa	$ 11,065,737	$ 2,057,798	$ 2,001,199	$ 2,001,220	$ 2,001,680	$ 3,003,840	$ -
Federal Home Loan Bank Bonds (FHLB)	Aaa	15,045,250	1,037,780	999,520	2,001,580	2,000,470	9,005,900	-
Federal Home Loan Mortg. Corp. Notes (FHLMC)	Aaa	6,069,400	2,057,480	-	1,004,620	-	3,007,300	-
Federal National Mortg. Assn. Notes (FNMA)	Aaa	35,337,621	10,275,210	-	1,999,280	4,003,470	19,059,661	-
Medium-term corporate notes	Aaa	3,090,170	2,056,020	-	-	1,034,150	-	-
Medium-term corporate notes	Aa	12,520,428	3,297,435	4,219,640	3,981,273	1,022,080	-	-
Medium-term corporate notes	A	15,032,413	3,040,550	4,235,805	7,756,058	-	-	-
Medium-term corporate notes	Baa	2,039,920	2,039,920	-	-	-	-	-
Money market mutual funds	Aaa	35,766,908	35,766,908	-	-	-	-	-
LAIF	Not Rated	50,060,982	50,060,982	-	-	-	-	-
Total pooled investments held by the City		186,028,829	111,690,083	11,456,164	18,744,031	10,061,850	34,076,701	-
Investments held by fiscal agent:								
Money market mutual funds	Aaa	12,631,168	12,631,168	-	-	-	-	-
Medium-term corporate notes	A	764,075	-	-	-	-	-	764,075
Total investments held by fiscal agent		13,395,243	12,631,168	-	-	-	-	764,075
Total investments		$ 199,424,072	$ 124,321,251	$ 11,456,164	$ 18,744,031	$ 10,061,850	$ 34,076,701	$ 764,075

Credit Risk. It is the City's policy that commercial paper must have a credit rating of A1 by Standard & Poor's or P-1 by Moody's Investors Service at time of purchase. Corporate bonds and medium-term notes must have a rating of A or better at time of purchase. 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 Aaa by Moody's Investors Service. Medium-term notes and corporate bonds are rated from Baa to Aaa by Moody's Investors Service. Money market funds are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. The City diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. Investments in U.S. Treasury, Agency securities explicitly guaranteed by the U.S. government, mutual funds and LAIF are not subject to this credit risk disclosure.

More than 5% of the City's pooled investments are invested with the Federal National Mortgage Association, Federal Home Loan Bank, and Federal Farm Credit Bank, which represent 19.0%, 8.1%, and 5.9%, respectively, of the City's pooled investments.

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, 2012 was $2,214,604. At June 30, 2011, the total fair value gain adjustment was $3,024,848. The change in value between the two periods amounted to an unrealized loss of $810,244 for fiscal year 2011/12.

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. At June 30, 2012, the total amount reported by all public agencies in LAIF was approximately $21.9 billion.

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. At June 30, 2012, PMIA had a total portfolio of approximately $60.5 billion and of that amount, 96.53% was invested in non-derivative financial products and 3.47% was invested in structured notes and asset-backed securities.

The City's investments with LAIF at June 30, 2012, include a portion of pool funds invested in structured notes and asset-backed securities. These investments include the following:

- Structured notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or 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.

The City reports its investment in LAIF at the fair value amount provided by LAIF. The fair value of LAIF was calculated by applying a factor of 1.001219643 to the total investments held by LAIF. As of June 30, 2012, the City had $50,000,000 invested in LAIF, and the fair value of the City's investment in LAIF was $50,060,982.

3. RECEIVABLES

As of June 30, 2012, the City had the following receivables:

A. Housing Loans Receivable

At June 30, 2012, the City was owed, in its Community Development Block Grant Fund, $1,406,794, 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 in the governmental fund.

The former Redevelopment Agency used HELP Program (Housing Enabled by Local Partnerships) funds to provide construction loans to affordable housing developers. The former Agency borrowed $3 million from the HELP Program and issued a $3 million loan 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 $3 million loan was transferred from the former Agency to the City's Low and Moderate Income Housing Asset major governmental fund on February 1, 2012, when all redevelopment agencies in California ceased to exist.

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 in anticipation of the amount to be forgiven together with the loan principal. The net loan in the amount of $0 (with a gross amount of $67,689,241) was transferred from the former Agency to the City's Low and Moderate Income Housing Asset major governmental fund on February 1, 2012, when all redevelopment agencies in California ceased to exist. The cumulative amount of the housing loans receivable as of June 30, 2012 is $80,556,389, and the accumulated interest receivable is $14,661,398.

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, 2012 was $558,293. Additional details of this loan agreement are described in Note 12.

C. Interest Receivable

Interest receivable at June 30, 2012 consists of $617,833 related to investments held by the City in its pooled cash and investments.

4. CAPITAL ASSETS

Capital assets activities of the governmental activities of the primary government for the year ended June 30, 2012, consist of the following:

	Balance 7/1/2011	Increase	Decrease	Transfers	Balance 6/30/2012
Nondepreciable Assets:					
Land	$ 214,729,007	$ 1,281,139	$ (14,543,048)	$ 699,657	$ 202,166,755
Land improvements	5,448,471	-	-	-	5,448,471
Infrastructure	456,124,489	1,420,364	-		457,544,853
Construction in progress	21,552,271	8,108,737	-	(1,709,470)	27,951,538
Total nondepreciable assets	697,854,238	10,810,240	(14,543,048)	(1,009,813)	693,111,617
Depreciable Assets:					
Building and improvements	203,431,311	835,837	-	1,002,813	205,269,961
Equipment	21,604,776	985,140	(2,445,417)	7,000	20,151,499
Vehicles	27,605,683	1,690,853	(1,125,052)	-	28,171,484
Infrastructure	322,826,652	324,447	-	-	323,151,099
Total depreciable assets	575,468,422	3,836,277	(3,570,469)	1,009,813	576,744,043
Less Accumulated Depreciation For:					
Building and improvements	(48,420,551)	(3,691,242)	-	-	(52,111,793)
Equipment	(15,990,366)	(571,848)	2,364,702	-	(14,197,512)
Vehicles	(15,697,254)	(1,350,670)	1,004,131	-	(16,043,793)
Depreciable infrastructure	(311,546,712)	(623,414)	-	-	(312,170,126)
Total accumulated depreciation	(391,654,883)	(6,237,174)	3,368,833	-	(394,523,224)
Total depreciable assets, net	183,813,539	(2,400,897)	(201,636)	1,009,813	182,220,819
Total capital assets, net	$ 881,667,777	$ 8,409,343	$ (14,744,684)	$ -	$ 875,332,436

Land in the amount of $14,543,048 was transferred to the SARA on February 1, 2012, when all redevelopment agencies in California ceased to exist.

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

Governmental Activities:	
General government	$ 136,918
Police services	674,524
Fire services	1,734,495
Human services	21,612
Capital assets maintenance and operations	3,280,856
Recreation services	205,646
Community development and environmental services	51,780
Amount reported in the internal service funds	131,343
Total depreciation expense, governmental activities	$ 6,237,174

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, 2012, is as follows:

	Interest Rates	Amounts Outstanding June 30, 2011	Incurred or Issued	Satisfied or Matured and Net Increases	Amounts Outstanding June 30, 2012	Amounts Due Within One Year	Amounts Due in More than One Year
General Obligation Bonds							
Fire Safety Bond 2003	1.00-4.40%	$ 8,530,000	-	($ 8,270,000)	$ 260,000	$ 260,000	$ -
Fire Safety Bond 2005	3.50-5.00%	23,950,000	-	(570,000)	23,380,000	600,000	22,780,000
Fire Safety Bond 2009	2.00-6.00%	15,725,000	-	(290,000)	15,435,000	305,000	15,130,000
Fire Safety Bond 2012	2.00-3.25%	-	8,165,000	-	8,165,000	105,000	8,060,000
Total general obligation bonds		**48,205,000**	**8,165,000**	**(9,130,000)**	**47,240,000**	**1,270,000**	**45,970,000**
Certificates of Participation							
1998 Public Financing Authority	Variable	9,645,000	-	(340,000)	9,305,000	360,000	8,945,000
1998 Public Financing Authority	3.80-4.75%	14,080,000	-	(14,080,000)	-	-	-
2001 Public Financing Authority	Variable	28,830,000	-	(28,830,000)	-	-	-
2001B Public Financing Authority	Variable	7,180,000	-	(7,180,000)	-	-	-
2008 Public Financing Authority	1.80-5.30%	26,785,000	-	(505,000)	26,280,000	520,000	25,760,000
2008 Public Financing Authority	Variable	46,960,000	-	(915,000)	46,045,000	960,000	45,085,000
2010 Public Financing Authority	Variable	15,000,000	-	-	15,000,000	-	15,000,000
2012A Public Financing Authority	2.00-4.00%	-	12,990,000	-	12,990,000	865,000	12,125,000
2012B Public Financing Authority	Variable	-	32,125,000	-	32,125,000	1,455,000	30,670,000
Total certificates of participation		**148,480,000**	**45,115,000**	**(51,850,000)**	**141,745,000**	**4,160,000**	**137,585,000**
Total long-term debt		**196,685,000**	**53,280,000**	**(60,980,000)**	**188,985,000**	**5,430,000**	**183,555,000**
Unamortized long-term bond premium		(685,021)	1,272,726	670,168	1,257,873	-	1,257,873
Total long-term debt with unamortized bond premium		**195,999,979**	**54,552,726**	**(60,309,832)**	**190,242,873**	**5,430,000**	**184,812,873**
Low and Moderate Income Housing Fund HELP loan		1,500,000	-	**(1,500,000)**	-	-	-
Compensated absences		9,139,290	5,791,136	(6,343,305)	8,587,121	2,146,780	6,440,341
Total long-term debt with unamortized bond premium and compensated absences		**$206,639,269**	**$60,343,862**	**($68,153,137)**	**$198,829,994**	**$7,576,780**	**$191,253,214**

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 *
2013	$ 1,270,000	$ 1,975,291	$ 4,160,000	$ 1,727,105
2014	1,265,000	1,996,651	4,170,000	1,795,068
2015	1,330,000	1,959,466	4,750,000	1,748,282
2016	1,375,000	1,918,466	4,890,000	1,696,339
2017	1,425,000	1,873,923	5,060,000	1,641,268
2018-2022	7,950,000	8,484,579	27,745,000	7,315,899
2023-2027	9,630,000	6,628,388	31,540,000	5,387,390
2028-2032	11,885,000	4,175,219	26,950,000	3,660,822
2033-2037	9,145,000	1,393,110	22,225,000	1,943,977
2038-2039	1,965,000	102,116	10,255,000	186,665
Total	$ 47,240,000	$ 30,507,209	$ 141,745,000	$ 27,102,815

* Variable interest on the 1998, 2008, 2010, and 2012B Public Financing Authority Certificates of Participation are estimated using interest rates at June 30, 2012 of 0.16%, 0.19%, 0.15%, and 0.14%, respectively.

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

Certificates of Participation	Secured Assets
1998 Public Financing Authority	Family Resource Center
2008 Public Financing Authority – fixed rate	Maintenance Center
2008 Public Financing Authority – variable rate	Fire Stations #8 and #9 Main Library
2010 Public Financing Authority	Fire Stations #2 and #6 Fire Tactical Training Center
2012A Public Financing Authority	Police Detention and Property Evidence Storage Facility Animal Shelter
2012B Public Financing Authority	Police Facility Fire Station #3

A. *Debt Issuance*

On May 1, 2012, the City issued $12,990,000 of 2012A fixed rate certificates of participation (COPs) with an average interest rate of 3.62% to refund the outstanding 1998 fixed rate COPs. Refunding this debt issue will save approximately $140,000 per year in debt service costs to the City's General Fund. The net present value of the savings over the life of the issue is approximately $1.7 million.

On May 1, 2012, the City also issued $32,125,000 of 2012B variable rate COPs to refund the outstanding 2001 and 2001B variable rate COPs. The 2001 and 2001B COPs were issued with a direct pay letter of credit from the Bank of Nova Scotia, acting through its New York Branch ("Scotia Bank"), providing credit and liquidity support. Scotia Bank notified the City that it would not renew these letters of credit, which expired on May 1, 2012, because they were in the process of exiting the public finance arena. Accordingly, the City moved to obtain a replacement letter of credit from a strongly rated bank (Wells Fargo Bank, NA) that would allow these COPs to continue to trade at the same level as similar issues. In addition, the City also reviewed the assets securing these COPs and identified other City assets to pledge, thus removing liens from properties in the Downtown Project Area and certain Fire Department equipment. The 2012B variable rate COPs are secured by a portion of the Police campus, including the Police building and the indoor firing range, and Fire Station 3.

Both of the 2012A and 2012B COPs were issued under lease/leaseback agreements between the City of Fremont and the Financing Authority. Debt service will be paid by the Financing Authority through the assignment of its lease payments from the City to the trustee for the benefit of the COPs investors. The fixed rate 2012A COPs will mature in 13 years, on August 1, 2025. The variable rate 2012B COPs will mature in 18 years, on August 1, 2030.

On May 10, 2012, the City issued $8,165,000 of General Obligation (GO) bonds with an average interest rate of 3.07% to partially refund the City's 2003 General Obligation bonds. This debt is repaid by the collection of a dedicated property tax levy. The refunding of this debt issue resulted in a savings of $925,914 (net present value), which will be passed along to Fremont residents through a lower property tax levy for GO bond debt service.

As a result, the 1998, 2001, and 2001B COPs and the refunded 2003 GO bonds are considered to be defeased and the liability for those debt issues has been removed from the government-wide statement of net assets.

B. *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, 2012, special assessment and special tax bonded indebtedness (long-term and current portions) was approximately $3,080,000, which was not recognized in the accompanying basic financial statements.

C. 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, 2012, the 2001 bond indebtedness was $28,625,000.

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 were 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, 2012, the 2005 bond indebtedness was $38,000,000.

D. Variable Rate Demand Certificates of Participations (COPs)

In connection with the issuance of the 1998 Public Financing Authority COPs, the Financing Authority obtained an irrevocable letter of credit as a credit facility with U.S. Bank, NA for the COPs. The letter of credit is due to expire on April 21, 2014. The Financing Authority's repayment of unreimbursed draws made on the credit facilities bears interest at rates as defined in the reimbursement agreement of up to 12% per annum. The Financing Authority is required to pay an annual commitment fee of 1.12% based on the outstanding principal amount of the bonds plus the interest component as defined in the reimbursement agreement supported by the credit facility. For the year ended June 30, 2012, the Financing Authority paid an annual commitment fee in the amount of approximately $107,000.

In connection with the issuance of the 2008 Public Financing Authority COPs, the Financing Authority obtained an irrevocable letter of credit as a credit facility with U.S. Bank, NA for the COPs. The letter of credit is due to expire on October 27, 2013. The Financing Authority's repayment of unreimbursed draws made on the credit facilities bears interest at rates as defined in the reimbursement agreement of up to 12% per annum. The Financing Authority is required to pay an annual commitment fee of 1.0% based on the outstanding principal amount of the bonds plus the interest component as defined in the reimbursement agreement supported by the credit facility. For the year ended June 30, 2012, the Financing Authority paid an annual commitment fee in the amount of approximately $485,000.

In connection with the issuance of the 2010 Public Financing Authority COPs, the Financing Authority obtained an irrevocable letter of credit as a credit facility with U.S. Bank, NA for the COPs. The letter of credit is due to expire on December 16, 2013. The Financing Authority's repayment of unreimbursed draws made on the credit facilities bears interest at rates as defined in the reimbursement agreement of up to 12% per annum. The Financing Authority is required to pay an annual commitment fee of 1.0% based on the outstanding principal amount of the bonds plus the interest component as defined in the reimbursement agreement supported by the credit facility. For the year ended June 30, 2012, the Financing Authority paid an annual commitment fee in the amount of approximately $157,000.

In connection with the issuance of the 2012B Public Financing Authority COPs, the Financing Authority obtained an irrevocable letter of credit as a credit facility with Wells Fargo Bank, NA for the COPs. The letter of credit is due to expire on May 1, 2015. The Financing Authority's repayment of unreimbursed draws made on the credit facilities bears interest at rates as defined in the reimbursement agreement of up to 12% per annum. The Financing Authority is required to pay an annual commitment fee of 0.5% based on the outstanding principal amount of the bonds plus the interest component as defined in the reimbursement agreement supported by the credit facility. For the year ended June 30, 2012, the Financing Authority paid an annual commitment fee in the amount of approximately $0.

E. Pledged Revenues for Bonds

The certificates of participation issued by the Financing Authority are payable by a pledge of lease revenues payable by the City, pursuant to the Lease Agreements between the City and the Financing Authority. The City has covenanted that as long as the leased properties are available for its use, the City will take such action as may be necessary to include all lease payments in its annual budgets and to make the necessary annual appropriations. Total debt service requirements remaining on the certificates of participation are $168.8 million, payable through August 1, 2038. For the year ended June 30, 2012, the total lease payments made by the City and total debt service payments paid by the Financing Authority totaled $6,011,200.

The City's General Obligation bonds are payable from pledged ad valorem property taxes until August 1, 2038, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $77.7 million. For the fiscal year ended June 30, 2012, the City collected $3,287,725 in ad valorem property taxes and made total debt service payments in the amount of $3,294,003.

F. Housing Enabled by Local Partnerships

The former Redevelopment Agency had $3 million in HELP (Housing Enabled by Local Partnerships) program loans payable to the California Housing Finance Authority(CHFA) 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 for $1,500,000. The second loan was received in November 2008 and is due in 2018. The second loan was transferred to the SARA on February 1, 2012, when all redevelopment agencies in California ceased to exist. The former Agency used the loan proceeds in turn to fund a loan to Allied Housing for the Main Street Village project, as described in Note 3.A. As of June 30, 2012, the outstanding balance due to the CHFA is $1,500,000.

G. *Compensated Absences*

The City records a liability to recognize the financial effect of unused vacation and other compensated leaves. As of June 30, 2012, the total liability for vacation and other compensated leaves is $8,587,121. The City typically uses the General Fund to liquidate the majority of its compensated absences.

6. POLLUTION REMEDIATION OBLIGATION

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. Accumulated remediation costs of $355 have been expended on this project, leaving a remaining balance of $424,645 at June 30, 2012. It is not clear at this point whether there will be any recoveries.

7. RISK MANAGEMENT

The City is exposed to various risks 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, up to $500,000 and in excess of $40,000,000 for each general liability claim, and up to $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 2012 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 two fiscal years ended June 30, 2011 and 2012, are as follows:

	2011	2012
Balance, beginning of year	$ 13,588,000	$ 13,706,000
Provision for claims losses	5,550,373	4,312,526
Claims payments	(5,432,373)	(3,609,526)
Balance, end of year	$ 13,706,000	$ 14,409,000
Due in one year	$ 4,646,000	$ 4,643,000
Due in more than one year	9,060,000	9,766,000
Total claim liabilities	$ 13,706,000	$ 14,409,000

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, 2011 (latest available date), is as follows:

Cash and investments	$ 92,879,416
Premiums and fees receivable	826,045
Other assets	2,968,641
Total assets	$ 96,674,102
Total reserves, unearned premiums and other liabilities	$ 51,163,253
Net assets	45,510,849
Total liabilities and net assets	$ 96,674,102
Net premiums earned	$ 11,516,623
Loss provision and premiums paid	(11,297,981)
General and administrative expenses	(1,607,644)
Operating income (loss)	(1,389,002)
Net investment and other income	3,804,251
Net income before refunds to members	2,415,249
Refunds to members	(5,858,080)
Change in net assets	$ (3,442,831)

The CJPRMA refunds excess premium deposits 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 June 2006, the City 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, 2011 (latest available date), is as follows:

Cash and cash equivalents	$	80,925,289
Investments		376,301,475
Other assets		106,612,112
Total assets	$	563,838,876
Claim liabilities	$	384,080,259
Other liabilities		75,443,978
Net assets		104,314,639
Total liabilities and net assets	$	563,838,876
Operating revenues	$	455,895,464
Operating expenses		(479,665,134)
Nonoperating revenue		9,726,704
Net income (loss)	$	(14,042,966)

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. At June 30, 2012, the General Fund was due $955,140 and $1,934,584 from the Human Services major governmental fund and non-major governmental funds, respectively.

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, 2012, were as follows:

Transfers Out	Transfers In: General Fund	Development Cost Center	Recreation Services	Capital Improvement	Human Services	Non-Major Funds	Total
General Fund	$ -	$ 2,183,659	$ 2,334,385	$ 500,000	$ 3,862,960	$ 6,208,055	$ 15,089,059
Redevelopment Agency Operations	111,561	-	-	-	-	828	112,389
Low and Moderate Income Housing	45,878	-	-	-	-	-	45,878
Redevelopment Agency Capital Projects	-	-	-	16,288,957	-	-	16,288,957
Development Impact Fees	850,000	-	-	-	-	-	850,000
Development Cost Center	1,970,047	-	-	146,000	-	72,827	2,188,874
Recreation Services	837,966	-	-	-	-	39,590	877,556
Capital Improvement	-	-	27,150	-	-	-	27,150
Human Services	718,674	-	-	-	-	369,524	1,088,198
Low and Moderate Income Housing Asset	7,836	-	-	-	-	-	7,836
Non-Major Funds	416,617	-	-	-	-	13,572	430,189
Total	$ 4,958,579	$ 2,183,659	$ 2,361,535	$ 16,934,957	$ 3,862,960	$ 6,704,396	$ 37,006,086

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. 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.

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. Effective April 8, 2012, the City implemented a second tier retirement plan. Employees who were hired on or after April 8, 2012 and retire at or after age 60 (55 for safety employee), are entitled to an annual retirement benefit in an amount equal to 2% for miscellaneous employees and 3% for safety employees.

Funding Policy – Active plan members in the City of Fremont Miscellaneous Plan are required to contribute 8% of their annual covered salary. In the second tier retirement plan, miscellaneous employees are required to contribute 7% of their annual covered salary to CalPERS. Active plan members in both tiers of 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 2011/12 was 22.916% of covered payroll for miscellaneous employees and 36.538% 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 2011/12, the City's annual pension cost was $23,497,820, which was equal to the City's required and actual contributions. The required contribution rate for fiscal year 2011/12 was determined as part of the June 30, 2009 actuarial valuation, which used the entry age normal actuarial cost method with the contributions determined as a percent of payroll. 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 3.55% to 14.45% for miscellaneous members, and from 3.55% to 13.15% for safety members; (3) an inflation component of 3.0%, and (4) 3.25% annual cost-of-living adjustment. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period. The average remaining amortization periods as of June 30, 2009 were 22 years for both the safety and miscellaneous plans.

Following is three-year trend information for both the safety and miscellaneous plans:

Annual Pension Cost (APC - Employer Contribution)

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
2009/10	$ 10,956,243	$ 7,960,445	100%	-
2010/11	10,893,207	7,876,562	100%	-
2011/12	13,333,232	10,164,588	100%	-

B. Funding Status and Funding Progress

The funding status and progress are determined as part of the June 30, 2011 actuarial valuation (the most recent valuation available), which used the entry age normal actuarial cost method with the contributions determined as a percent of payroll. The actuarial assumptions included (1) 7.50% investment rate of return (net of administrative expenses); (2) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for both miscellaneous members and safety members; (3) an inflation component of 2.75%, and (4) 3.00% annual cost-of-living adjustment. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period. The average remaining amortization periods as of June 30, 2011 were 22 and 20 years for the safety and miscellaneous plans, respectively.

The schedule of funding progress below shows the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

Safety Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
6/30/2011	$ 478,707,155	$ 366,985,249	$ 111,721,906	76.7%	$ 35,447,430	315.2%

Miscellaneous Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as % of Payroll
6/30/2011	$ 356,592,039	$ 276,762,637	$ 79,829,402	77.6%	$ 43,637,310	182.9%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description and Eligibility – In addition to providing the retirement benefits described above, the City provides post-employment healthcare benefits, in accordance with bargaining unit agreements, to employees who retire directly from the City under CalPERS at the minimum age of 50 with at least 5 years of CalPERS service or disability. Retirees must make an election within 120 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 decreased from 653 in the previous year to 631 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, 2012, was $7,161,000, based on the June 30, 2012 actuarial valuation.

Funding Policy – The City accounts for 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 the 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	$7,161,000
Interest on net OPEB obligation	506,000
Amortization of net OPEB	(878,000)
Annual OPEB cost (expense)	6,789,000
Contributions made	(2,346,000)
Increase in net OPEB obligation	4,443,000
NET OPEB obligation – beginning of year	10,660,000
NET OPEB obligation – end of year	$15,103,000

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011/12 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
2010	$5,505,000	$1,935,000	35.1%	$ 6,957,000
2011	5,848,000	2,145,000	36.7%	10,660,000
2012	6,789,000	2,346,000	34.6%	15,103,000

Funding Status and Funding Progress – The schedule of funding progress below, determined as part of the June 30, 2012 actuarial valuation, shows the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

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
6/30/2012	-	$ 79,329,000	$ 79,329,000	0%	$ 69,885,000	113.5%

* Based on the most recent actuarial valuation available
** Annual payroll of active employees covered by the plan

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 (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for 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 that determined the annual required contribution for fiscal year 2011/12, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.75% investment rate of return, a 3.0% general rate of inflation, and 3.25% in aggregate payroll increases. Medical trends for Medicare and non-Medicare are assumed to increase from the prior year by 10.5% and 10.0%, respectively, for fiscal year 2010/11 and are graded down to an ultimate rate of 5.0% and 5.0%, respectively, by fiscal year 2020/21. Medical trends for non-Medicare are assumed to increase from the prior year by 10.0% for fiscal year 2010/11 and are graded down to an ultimate rate of 5.0% by fiscal year 2020/21. The unfunded actuarial accrued liability (UAAL) is amortized as a level percentage of projected payroll over a 30-year closed period. There is no assumed post-employment benefit increase.

In the June 30, 2012 actuarial valuation that determines the most recent funding status and progress, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.25% investment rate of return, a 3.0% general rate of inflation, and 3.25% in aggregate payroll increases. Medical trends for Medicare and non-Medicare are assumed to increase from the prior year by 9.4% and 9.0%, respectively, for fiscal year 2012/13 and are graded down to an ultimate rate of 5.0% and 5.0%, respectively, by fiscal year 2020/21. The unfunded actuarial accrued liability (UAAL) is amortized as a level percentage of projected payroll over a 30-year closed period. There is no assumed post-employment 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 fiscal year 2011/12, several additional agreements and amendments to prior agreements were executed as a result of the ongoing progress of the project. Among the amendments was Amendment #2 to the cooperative funding agreement with the Santa Clara Valley Transportation Authority (VTA) regarding implementation of the Warren Avenue Grade Separation. This amendment allowed the City and VTA to enter into a Construction and Maintenance Agreement with the Union Pacific Railroad for the project. The City also entered into a new agreement with the State of California, Department of Transportation concerning grant responsibilities as a recipient of a Highway-Railroad Crossing Safety Account (HRCSA) program grant for the Warren Avenue Grade Separation Project. Over the next year, the City expects to enter into an amendment to the cooperative funding agreement with VTA for the construction of the Warren Avenue Grade Separation to reflect the updated project cost estimates following the construction bid opening.

Redevelopment Dissolution Act - Under ABx1 26, adopted on June 28, 2011, and as amended by AB 1484 on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012. Under this legislation, the California Department of Finance and the California State Controller's Office have varying degrees of responsibility and oversight. The ultimate outcome of issues raised by State authorities, such as the rejection of using SARA assets to pay obligations or the return of asset transfers to the SARA, cannot presently be determined and, accordingly, no provision for any liability that may result has been recorded in the financial statements, except for the liabilities of $17,501,645 and $24,574,204 recorded by the SARA at June 30, 2012, for the housing and non-housing cash available for distribution to taxing entities as determined by the City through the State's required "Due Diligence Reviews". The Low and Moderate Income Housing Fund Due Diligence Review was approved by the California Department of Finance on December 14, 2012.

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. At June 30, 2012, encumbrances of the governmental funds are as follows:

Fund	Amount
General Fund	$ 1,354,230
Development Impact Fees	415,932
Development Cost Center	62,822
Recreation Services	17,370
Capital Improvement	5,214,456
Human Services	374,144
Non-major funds	6,610,742
Total	$ 14,049,696

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, 2012, the outstanding balance of this loan receivable was $558,293.

13. EXTRAORDINARY ITEM

The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item because this state-wide dissolution was both unusual and infrequent. Accordingly, the transfer of the assets and liabilities of the former Agency to the SARA, and the transfer out of the former Agency's housing assets and related liabilities to the City, were recorded as an extraordinary item in the City's financial statements.

ABx1 26 specifically invalidated existing agreements between the former Agency and the City, except for 1) those entered into at the time of issuance of debt for the purpose of securing repayment of such debt; and 2) loans or advances from the Low and Moderate Income Housing Fund. On February 1, 2012, the City did not have any long-term loans or receivables with the former Agency.

The components of the extraordinary loss recognized are as follows:

Governmental Funds:	
Former Agency's transfers of fund balances at January 31, 2012	
Transfer out of former Agency assets	$ (72,668,058)
Transfer out of former Agency liabilities	8,205,545
Fund balances reported on former Agency statements	
Add: transfers of housing-related assets to the Housing Successor	3,000,000
Less: transfers of housing-related liabilities to the Housing Successor	(3,000,000)
Governmental Fund's extraordinary loss from dissolution of the Redevelopment Agency	(64,462,513)
Governmental Activities:	
Transfers out of former Agency's capital assets	(14,543,048)
Transfers out of former Agency's long-term debt	1,500,000
Governmental Activities' extraordinary loss from dissolution of the Redevelopment Agency	$ (77,505,561)

14. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, the City adjusted its June 30, 2011 fund balance and deferred revenue balance of the Low and Moderate Income Housing major governmental fund and increased the deferred revenue by $1,500,000 to match the housing loans receivable of $3,000,000. The affordable housing loans are deferred because the balance will not be collected within the City's availability period.

During the current fiscal year, the City identified an accounting error in which prior year project expenditures in the amount of $5,000,000, which should have been charged to the Redevelopment Agency Capital Projects major governmental fund, were inadvertently charged to the Interchange Construction nonmajor capital project fund. The City adjusted its June 30, 2011 fund balance and interfund balances of the funds to properly reflect the reimbursement of $5,000,000 from the Redevelopment Agency Capital Projects major governmental fund to the Interchange Construction nonmajor capital project fund.

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, and Human Services 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 Fund and certain special revenue funds (Redevelopment Operations, Development Cost Center, Recreation Services, and Human 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 restricted, committed, assigned or unassigned 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
(For the Fiscal Year Ended June 30, 2012)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Fund Balance - Beginning	$ 25,660,000	$ 25,660,000	$ 28,061,604	$ 2,401,604
Resources (inflows):				
Property tax	62,763,000	62,763,000	64,431,524	1,668,524
Sales tax	31,335,000	31,335,000	33,065,829	1,730,829
Vehicle license fees	828,000	828,000	219,730	(608,270)
Intergovernmental	157,000	157,000	234,508	77,508
Business tax	7,004,000	7,004,000	7,495,975	491,975
Other taxes	4,593,000	4,593,000	4,994,017	401,017
Franchises	8,208,000	8,208,000	8,255,221	47,221
Charges for services	8,558,000	8,558,000	7,983,701	(574,299)
Investment earnings	711,000	711,000	504,509	(206,491)
Other	1,388,000	1,388,000	1,353,636	(34,364)
Operating transfers in	5,750,000	5,750,000	4,958,579	(791,421)
Total resources	131,295,000	131,295,000	133,497,229	2,202,229
Charges to appropriations (outflows):				
General government	12,502,771	11,857,671	10,326,841	1,530,830
Police services	52,969,821	53,689,326	52,248,503	1,440,823
Fire services	32,301,134	32,417,180	32,351,048	66,132
Capital assets maintenance and operations	13,317,617	13,368,919	12,410,063	958,856
Community Services	6,428,957	6,467,989	6,298,525	169,464
Community development and environmental services	765,687	765,687	692,176	73,511
Capital outlay	-	82,140	82,140	-
Debt service:				-
Interest and fiscal charges	325,000	325,000	1,058,472	(733,472)
Operating transfers out	18,746,462	18,746,462	15,089,059	3,657,403
Total charges to appropriations	137,357,449	137,720,374	130,556,827	7,163,547
Resources over (under) charges to appropriations	(6,062,449)	(6,425,374)	2,940,402	9,365,776
Fund Balance - Ending	$ 19,597,551	$ 19,234,626	$ 31,002,006	$ 11,767,380

Budgetary Comparison Schedule, Redevelopment Operations
(For the Fiscal Year Ended June 30, 2012)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning	$ 255,000	$ 255,000	$ 6,744,857	$ 6,489,857
Resources (inflows):				
Property tax	-	-	568,129	568,129
Investment earnings	50,000	50,000	168,138	118,138
Other	-	-	410,021	410,021
Operating transfers in	18,000,000	18,000,000	-	(18,000,000)
Total resources	18,050,000	18,050,000	1,146,288	(16,903,712)
Charges to appropriations (outflows):				
Intergovernmental	12,392,734	12,392,734	-	12,392,734
Community development	1,648,149	1,597,947	1,036,297	561,650
Operating transfers out	183,135	183,135	112,389	70,746
Total charges to appropriations	14,224,018	14,173,816	1,148,686	13,025,130
Extraordinary loss	-	-	(6,742,459)	(6,742,459)
Resources over (under) charges to appropriations	3,825,982	3,876,184	(6,744,857)	(10,621,041)
Fund Balance - Ending	$ 4,080,982	$ 4,131,184	$ -	$ (4,131,184)

Budgetary Comparison Schedule, Development Cost Center
(For the Fiscal Year Ended June 30, 2012)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Fund Balance - Beginning	$ 3,662,000	$ 3,662,000	$ 3,530,644	$ (131,356)
Resources (inflows):				
Charges for services	9,701,545	9,701,545	8,007,846	(1,693,699)
Investment earnings	60,000	60,000	81,032	21,032
Operating transfers in	2,280,600	2,183,657	2,183,659	2
Total resources	12,042,145	11,945,202	10,272,537	(1,672,665)
Charges to appropriations (outflows):				
Community development and environmental services	9,680,956	9,209,003	8,832,679	376,324
Operating transfers out	3,287,240	2,433,238	2,188,874	244,364
Total charges to appropriations	12,968,196	11,642,241	11,021,553	620,688
Resources over (under) charges to appropriations	(926,051)	302,961	(749,016)	(1,051,977)
Fund Balance - Ending	$ 2,735,949	$ 3,964,961	$ 2,781,628	$ (1,183,333)

Budgetary Comparison Schedule, Recreation Services
(For the Fiscal Year Ended June 30, 2012)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Fund Balance - Beginning	$ 4,077,000	$ 4,077,000	$ 4,265,262	$ 188,262
Resources (inflows):				
Charges for services	5,919,560	5,919,560	5,966,154	46,594
Investment earnings	75,000	75,000	91,863	16,863
Other	100,100	100,100	81,060	(19,040)
Operating transfers in	2,438,000	2,361,535	2,361,535	-
Total resources	8,532,660	8,456,195	8,500,612	44,417
Charges to appropriations (outflows):				
Recreation and leisure services	7,231,002	7,102,195	6,904,449	197,746
Operating transfers out	804,465	804,465	877,556	(73,091)
Total charges to appropriations	8,035,467	7,906,660	7,782,005	124,655
Resources over (under) charges to appropriations	497,193	549,535	718,607	169,072
Fund Balance - Ending	$ 4,574,193	$ 4,626,535	$ 4,983,869	$ 357,334

Budgetary Comparison Schedule, Human Services
(For the Fiscal Year Ended June 30, 2012)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Fund Balance - Beginning	$ 6,440,107	$ 6,440,107	$ 6,668,973	$ 228,866
Resources (inflows):				
Intergovernmental revenue	5,716,214	5,716,214	5,391,613	(324,601)
Charges for services	1,499,843	1,499,843	1,502,378	2,535
Investment earnings	-	-	59,141	59,141
Other	288,632	288,632	728,184	439,552
Operating transfers in	3,823,522	3,638,482	3,862,960	224,478
Total resources	11,328,211	11,143,171	11,544,276	401,105
Charges to appropriations (outflows):				
Human Services	9,101,722	8,997,374	8,463,128	534,246
Capital asset maintenance and operations	-	-	6,399	(6,399)
Community development and environmental services	1,706,439	2,121,011	1,500,495	620,516
Debt service	122,000	122,000	126,012	(4,012)
Operating transfers out	1,320,294	1,320,294	1,088,198	232,096
Total charges to appropriations	12,250,455	12,560,679	11,184,232	1,376,447
Resources over (under) charges to appropriations	(922,244)	(1,417,508)	360,044	1,777,552
Fund Balance - Ending	$ 5,517,863	$ 5,022,599	$ 7,029,017	$ 2,006,418

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 roads and street network (street network); 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. As the centerline length of City streets can be quite long, the streets are broken up into segments. Therefore, the street network is composed of all City streets and each City street is composed of all of the segments of that street. For example, the roads and street network 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 street network. 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.

The City street network is 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 street network is constructed primarily of asphalt pavement. Further, based on land use, access and traffic utilization, the street network is subdivided into the following three classifications: (1) arterial/major, (2) collector and (3) residential/local.

In conjunction with the Metropolitan Transportation Commission, the City maintains a Pavement Management System (PMS) that contains all of the pavement information for the street network. The PMS contains a complete inventory of all street segments including the length, width, area, classification, maintenance and rehabilitation history and the records of all inspections of the pavement condition. Also, the PMS contains the inspection based Pavement Condition Index (PCI) for each street segment and has the functionality to compute the overall City area-weighted PCI. More information on the PCI is presented below.

The City periodically conducts inspection surveys to assess the pavement condition of all City streets. The condition assessments are performed every two to three years for arterial and collector streets and every five years for residential streets. In 2011, the City arterial and collector streets were assessed. In 2009, the entire City street network of arterial, collector and residential streets was inspected and assessed. Therefore, the next inspection and condition assessment of the entire City street network will take place in 2014.

For the pavement condition assessment, the street segment is inspected and the physical condition is recorded based on a system of sampling and measuring 17 defined pavement distress types. 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 condition categories with their corresponding PCI rating ranges are defined:

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

The PCI for each street segment is entered into the database at the time of the latest periodic inspection. Between the inspections, the PMS computes "real time" PCI values based on standardized deterioration curves for pavement materials. In other words, the materials used in the pavement structural section have a service life that declines continuously over time based on the effects of trenching and patching, the effects of the sun's ultraviolet and infrared radiation, storm water runoff, surface erosion, and traffic loading, especially trucks and buses. For example, a newly constructed arterial street segment that exhibits no pavement distresses would be entered into the database at a PCI of 100. A year later, the program computes the PCI to be, say, a value of 90. When the street segment is inspected two years after construction, perhaps surface distresses such as cracking, weathering and raveling have begun to appear; the PCI is computed based on the actual severity of these distresses and entered into the database. The PMS resets the PCI deterioration curve to the inspection PCI value and the pavement condition continues the descent down the curve from that point.

As noted above, the inspection schedule varies. Also, the inspection schedule does not coincide with the close of each fiscal year. Therefore, the PCI values in the tables below are the City overall street network PCIs computed by the PMS as of June 30 each year.

Through June 30, 2012, the City's policy was to maintain an average PCI rating of 50 for the entire street network. This rating means that more pavement distresses ranging from surface defects such as cracking and raveling to 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, 2012, the City's overall street network was rated at a computed PCI index of 62, with the detail condition as follows:

		% of Streets Sections		
Condition	PCI Rating	June 30, 2010	June 30, 2011	June 30, 2012
Good to Excellent	70–100	45	45	50
Fair	50–69	25	23	20
Substandard to Poor	0–49	30	32	30

In the table above, it can be seen that in FY 11/12, approximately 50% of the City's streets were rated above PCI 70, the lower limit for streets in good condition. This is a 5% increase from 2010/11 when the percentage of streets rated above 70 was 45%. The reason for the increase is that both the 2010 and 2011 Overlay Projects were completed in FY 11/12, as the 2010 project was delayed due to a late start and cool weather in FY 10/11. The PCI is updated at the completion of rehabilitation and maintenance projects, so the 2010 Overlay Project was registered in FY 11/12. Also, as the overlay projects are focused on arterial (larger pavement area) streets and generally takes streets that are in poor condition and restores them to excellent condition (from existing PCI's of 40 to new PCI's of 100), the PCI increase is large in the "Good to Excellent" category.

In total, the City expended $7,403,000 on street maintenance and rehabilitation projects for the fiscal year ended June 30, 2012. As noted above, the overall PCI rating of the City street network improved by one point in this fiscal year; this improvement can be attributed to the delay in the completion of the 2010 overlay project until August 2011, therefore causing the PCI increase from this project to be registered along with the 2011 overlay project in FY 11/12. A table of the previously estimated annual amounts required to maintain the City street network at the then current computed PCI level compared to the actual expenditures for street maintenance and PCI levels computed at the close of the fiscal year for each of the last five years is as follows:

Fiscal Year	Maintenance Estimate	Actual Expenditure	Computed Overall City PCI Rating
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
2011/12	$14,800,000	$7,403,000	62

In 2009, the City estimated that $15,500,000 would be required to be expended annually for 2010 and 2011 to maintain the City's street network at the 2009 average PCI rating of 64. This estimate was updated in April 2012 to be $14,800,000 to maintain the then City average PCI rating of 63. As can be seen in the above table, the actual expenditure is less than the required maintenance estimate and the overall City PCI has dropped by 5 points over the past five years.

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. SCHEDULES OF FUNDING PROGRESS

The schedules of funding progress, including the past three actuarial valuations, are 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
6/30/2009	$ 247,240,523	$ 329,923,638	$ 82,683,115	74.9%	$ 46,226,193	178.9%
6/30/2010	261,428,715	342,196,322	80,767,607	76.4%	43,639,029	185.1%
6/30/2011	276,762,637	356,592,039	79,829,402	77.6%	43,637,310	182.9%

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
6/30/2009	$ 337,341,484	$ 437,389,177	$ 100,047,693	77.1%	$ 36,844,556	271.5%
6/30/2010	350,899,110	452,614,959	101,715,849	77.5%	37,059,614	274.5%
6/30/2011	366,985,249	478,707,155	111,721,906	76.7%	35,447,430	315.2%

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
6/30/2009	$ -	$ 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%
6/30/2012	-	79,329,000	79,329,000	0.0%	69,885,000	113.5%

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:

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 Major Crimes Task Force (SACMCTF), 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.

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.

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, and partially refunded on May 10, 2012, (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 Outside Sources – This fund accounts for contributions received from other outside sources that are intended to help fund specific capital projects.

Measure B & F Grants, 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. In November 2010, voters of Alameda County approved Measure F, the Vehicle Registration Fee (VRF) program. The City receives proceeds from a fee on each annual motor vehicle registration or renewal in Alameda County. These funds account for that portion of these monies from Measure B and Measure F to be 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, 2012
(With comparative totals for June 30, 2011)

	Special Revenue Funds				
	HOME Grant	Multi-family Housing	Integrated Waste Management	Urban Runoff	Traffic Safety OTS
ASSETS					
Cash and investments held by City	$ -	$ 48,475	$ 3,502,000	$ 1,448,272	$ -
Restricted cash and investments held by fiscal agent or City	-	-	-	-	-
Receivables:					
Property tax	-	-	-	-	-
Due from other governmental agencies	129,751	-	416,542	9,038	8,100
Accrued interest	-	-	-	-	-
Accounts receivable	1,000	-	457,545	27,539	-
Other	-	-	107,076	-	-
Other assets	-	-	-	-	-
Total assets	$ 130,751	$ 48,475	$ 4,483,163	$ 1,484,849	$ 8,100
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 22,015	$ -	$ 243,030	$ 79,069	$ -
Salaries and wages payable	-	-	31,355	19,461	-
Due to other funds	105,051	-	-	-	8,100
Other liabilities	-	-	-	-	-
Deferred revenue	-	134	119,484	-	-
Total liabilities	127,066	134	393,869	98,530	8,100
Fund Balances:					
Nonspendable					
Prepaid assets	-	-	-	-	-
Restricted for:					
Social service programs	3,685	48,341	-	-	-
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Street improvements	-	-	-	-	-
Community development	-	-	4,089,294	1,386,319	-
Other purposes	-	-	-	-	-
Committed for:					
Social service programs	-	-	-	-	-
Assigned for:					
Vehicle replacement	-	-	-	-	-
Total fund balances	3,685	48,341	4,089,294	1,386,319	-
Total liabilities and fund balances	$ 130,751	$ 48,475	$ 4,483,163	$ 1,484,849	$ 8,100

Special Revenue Funds					
Abandoned Vehicle	Narcotics Asset Seizure	COPS AB3229	Justice Assistance Grant	Inclusionary Housing In Lieu	Metropolitan Medical Response System
$ -	$ 852,144	$ 837	$ 53,862	$ 4,680,580	$ 59,427
-	33,377	-	-	-	-
-	-	-	-	-	-
42,000	-	107,690	-	-	275,117
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 42,000	$ 885,521	$ 108,527	$ 53,862	$ 4,680,580	$ 334,544
$ -	$ 67,194	$ -	$ 3	$ -	$ 43,110
-	2,859	-	-	-	430
42,000	-	-	-	-	-
-	-	-	-	1,929,061	-
-	-	-	-	-	-
42,000	70,053	-	3	1,929,061	43,540
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	815,468	108,527	53,859	-	291,004
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,751,519	-
-	-	-	-	-	-
-	815,468	108,527	53,859	2,751,519	291,004
$ 42,000	$ 885,521	$ 108,527	$ 53,862	$ 4,680,580	$ 334,544

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012
(With comparative totals for June 30, 2011)

	Special Revenue Funds				
	American Reinvestment and Recovery Act	Miscellaneous Federal Grants	Miscellaneous State Support	State Gas Tax	Prop 1B Local Streets & Roads & HRCSA
ASSETS					
Cash and investments held by City	$ 40,002	$ 262,604	$ -	$ 12,470,826	$ -
Restricted cash and investments held by fiscal agent	-	-	-	-	-
Receivables:					
Property tax	-	-	-	-	-
Due from other governmental agencies	168,162	208,755	51,010	598,590	2,503,148
Accrued interest	-	-	-	-	-
Accounts receivable	-	-	-	75,351	-
Other	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	$ 208,164	$ 471,359	$ 51,010	$ 13,144,767	$ 2,503,148
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 130,923	$ 13,903	$ 10,413	$ 95,383	$ 2,503,148
Salaries and wages payable	-	-	-	-	-
Due to other funds	-	-	9,192	-	-
Other liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	130,923	13,903	19,605	95,383	2,503,148
Fund Balances:					
Nonspendable					
Prepaid assets	-	-	-	-	-
Restricted for:					
Social service programs	-	-	-	-	-
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Street improvements	-	-	-	13,049,384	-
Community development	-	-	-	-	-
Other purposes	77,241	457,456	31,405	-	-
Committed for:		-	-	-	-
Social service programs	-	-	-	-	-
Assigned for:		-	-	-	-
Vehicle replacement	-	-	-	-	-
Total fund balances	77,241	457,456	31,405	13,049,384	-
Total liabilities and fund balances	$ 208,164	$ 471,359	$ 51,010	$ 13,144,767	$ 2,503,148

	Special Revenue Funds			Debt Service Funds		
	County Support for City Streets	Maintenance District	Total Non-major Special Revenue Funds	Fire General Obligation Bonds	Fremont Financing Authority	Total Non-major Debt Service Funds
	$ 19,931	$ 356,956	$ 23,795,916	$ -	$ -	$ -
	-	-	33,377	2,375,002	1,866,340	4,241,342
	-	-	-	32,048	-	32,048
	-	951	4,518,854	-	-	-
	-	-	-	-	-	-
	-	-	561,435	-	-	-
	-	-	107,076	-	-	-
	-	-	-	-	-	-
	$ 19,931	$ 357,907	$ 29,016,658	$ 2,407,050	$ 1,866,340	$ 4,273,390
	$ -	$ 9,279	$ 3,217,470	$ -	$ -	$ -
	-	-	54,105	-	-	-
	-	-	164,343	-	-	-
	-	-	1,929,061	-	-	-
	-	-	119,618	-	-	-
	-	9,279	5,484,597	-	-	-
	-	-	-	-	-	-
	-	-	52,026	-	-	-
	-	-	-	2,407,050	1,866,340	4,273,390
	-	-	1,268,858	-	-	-
	19,931	-	13,069,315	-	-	-
	-	348,628	5,824,241	-	-	-
	-	-	566,102	-	-	-
	-	-	-			
	-	-	2,751,519	-	-	-
	-	-	-			
	-	-	-	-	-	-
	19,931	348,628	23,532,061	2,407,050	1,866,340	4,273,390
	$ 19,931	$ 357,907	$ 29,016,658	$ 2,407,050	$ 1,866,340	$ 4,273,390

(Continued)

City of Fremont
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012
(With comparative totals for June 30, 2011)

	Capital Project Funds				
	Transportation Development Act	Miscellaneous State Grants Capital	Interchange Construction	Vehicle Replacement	Capital Improvement - Outside Sources
ASSETS					
Cash and investments held by City	$ -	$ -	$ 8,060,745	$ 4,143,316	$ 1,315,710
Restricted cash and investments held by fiscal agent or City	-	-	-	-	-
Receivables:					
Property tax	-	-	-	-	-
Due from other governmental agencies	299,462	834,703	-	-	2,144,035
Accrued interest	-	-	-	-	-
Accounts receivable	-	-	-	-	200,020
Other	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	$ 299,462	$ 834,703	$ 8,060,745	$ 4,143,316	$ 3,659,765
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 132,283	$ 51,339	$ -	$ 300,803	$ 830,047
Salaries and wages payable	-	-	-	-	-
Due to other funds	167,179	783,364	-	-	-
Other liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	299,462	834,703	-	300,803	830,047
Fund Balances:					
Nonspendable					
Prepaid assets	-	-	-	-	-
Restricted for:					
Social service programs	-	-	-	-	-
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Street improvements	-	-	8,060,745	-	2,829,718
Community development	-	-	-	-	-
Other purposes	-		-	-	-
Committed for:					
Social service programs	-	-	-	-	-
Assigned for:					
Vehicle replacement	-	-	-	3,842,513	-
Total fund balances	-	-	8,060,745	3,842,513	2,829,718
Total liabilities and fund balances	$ 299,462	$ 834,703	$ 8,060,745	$ 4,143,316	$ 3,659,765

	Capital Project Funds						
	Measure B & F Grants, Streets, Bike & Pedestrian	Intermodal Surface Transportation Efficiency Act	Traffic System Management	Fire General Obligation Bonds	Total Non-major Capital Projects Funds	Total Non-major Governmental Funds 2012	Total Non-major Governmental Funds 2011
	$ 4,780,671	$ -	$ -	$ 771,202	$ 19,071,644	$ 42,867,560	$ 35,365,374
	-	-	-	-	-	4,274,719	7,177,307
	-	-	-	-	-	32,048	23,539
	928,650	949,182	135,086	-	5,291,118	9,809,972	4,169,645
	-	-	-	-	-	-	15
	-	-	-	-	200,020	761,455	814,017
	-	-	-	-	-	107,076	272,605
	-	-	-	-	-	-	1,259,814
	$ 5,709,321	$ 949,182	$ 135,086	$ 771,202	$ 24,562,782	$ 57,852,830	$ 49,082,316
	$ 28,138	$ 264,570	$ -	$ 135,225	$ 1,742,405	$ 4,959,875	$ 1,459,520
	-	-	-	-	-	54,105	60,096
	-	684,612	135,086	-	1,770,241	1,934,584	1,181,327
	-	-	-	-	-	1,929,061	-
	-	-	-	-	-	119,618	58,232
	28,138	949,182	135,086	135,225	3,512,646	8,997,243	2,759,175
	-	-	-	-	-	-	1,259,814
	-	-	-	-	-	52,026	1,829,946
	-	-	-	-	-	4,273,390	7,167,486
	-	-	-	635,977	635,977	1,904,835	2,365,198
	5,681,183	-	-	-	16,571,646	29,640,961	23,021,363
	-	-	-	-	-	5,824,241	5,950,771
	-	-	-	-	-	566,102	488,071
	-	-	-	-	-	2,751,519	-
	-	-	-	-	3,842,513	3,842,513	4,240,492
	5,681,183	-	-	635,977	21,050,136	48,855,587	46,323,141
	$ 5,709,321	$ 949,182	$ 135,086	$ 771,202	$ 24,562,782	$ 57,852,830	$ 49,082,316

(Concluded)

City of Fremont
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2012
(With comparative totals for the fiscal year ended June 30, 2011)

	Special Revenue Funds				
	HOME Grant	Multi-family Housing	Integrated Waste Management	Urban Runoff	Traffic Safety OTS
REVENUES:					
Property tax	$ -	$ -	$ -	$ -	$ -
Intergovernmental	147,778		179,261	-	14,998
Charges for services	-	16,618	5,635,067	1,397,778	-
Investment earnings	-	548	-	-	-
Other	-	3,236	-	-	-
Total revenues	147,778	20,402	5,814,328	1,397,778	14,998
EXPENDITURES:					
Current:					
Police services	-	-	-	-	14,998
Fire services	-	-	-	-	-
Human services	-	-	-	-	-
Capital assets maintenance and operations	-	-	19,436	377,520	-
Community development and environmental services	144,891	-	5,334,067	1,294,527	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-
Total expenditures	144,891	-	5,353,503	1,672,047	14,998
REVENUES OVER (UNDER) EXPENDITURES	2,887	20,402	460,825	(274,269)	-
OTHER FINANCING SOURCES (USES):					
Debt proceeds	-	-	-	-	-
Premium on debt issuance	-	-		-	-
Payment to refunding escrow	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(2,887)	(6,945)	(219,231)	(145,780)	-
Total other financing sources (uses)	(2,887)	(6,945)	(219,231)	(145,780)	-
Net change in fund balances	-	13,457	241,594	(420,049)	-
FUND BALANCES:					
Beginning of year, as reported	3,685	34,884	3,847,700	1,806,368	-
Prior period adjustment	-	-	-	-	-
Beginning of year, as restated	3,685	34,884	3,847,700	1,806,368	-
End of year	$ 3,685	$ 48,341	$ 4,089,294	$ 1,386,319	$ -

Abandoned Vehicle	Narcotics Asset Seizure	COPS AB3229	Justice Assistance Grant	Inclusionary Housing In Lieu	Metropolitan Medical Response System
Special Revenue Funds					
$ -	$ -	$ -	$ -	$ -	$ -
159,796	807,068	285,391	48,015	-	219,601
-	-	-	-	-	-
-	9,820	989	-	-	377
-	-	-	-	960,142	-
159,796	816,888	286,380	48,015	960,142	219,978
159,796	589,339	312,116	39,380	-	-
-	-	-	-	-	187,952
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	23,925
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
159,796	589,339	312,116	39,380	-	211,877
-	227,549	(25,736)	8,635	960,142	8,101
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	50,000	-	-	-	-
-	-	-	-	-	-
-	50,000	-	-	-	-
-	277,549	(25,736)	8,635	960,142	8,101
-	537,919	134,263	45,224	1,791,377	282,903
-	-	-	-	-	-
-	537,919	134,263	45,224	1,791,377	282,903
$ -	$ 815,468	$ 108,527	$ 53,859	$ 2,751,519	$ 291,004

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the fiscal year ended June 30, 2012

(With comparative totals for the fiscal year ended June 30, 2011)

	Special Revenue Funds				
	American Reinvestment and Recovery Act	Miscellaneous Federal Grants	Miscellaneous State Support	State Gas Tax	Prop 1B Local Streets & Roads & HRCSA
REVENUES:					
Property tax	$ -	$ -	$ -	$ -	$ -
Intergovernmental	1,651,050	880,380	217,436	6,064,076	4,018,761
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	149,510	391
Other	-	-	-	-	-
Total revenues	1,651,050	880,380	217,436	6,213,586	4,019,152
EXPENDITURES:					
Current:					
Police services	-	4,881	17,338	-	-
Fire services	-	429,266	-	-	-
Human services	348,375	134,000	162,324	-	-
Capital assets maintenance and operations	1,146,231	119,371	-	4,639,814	4,423,409
Community development and environmental services	134,864	-	-	-	-
Capital outlay	-	-	124,605	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Payment to refunding escrow	-	-	-	-	-
Total expenditures	1,629,470	687,518	304,267	4,639,814	4,423,409
REVENUES OVER (UNDER) EXPENDITURES	21,580	192,862	(86,831)	1,573,772	(404,257)
OTHER FINANCING SOURCES (USES):					
Debt proceeds	-	-	-	-	-
Premium on debt issuance	-	-	-		-
Payment to refunding escrow	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(21,580)	(16,000)	(12,000)	-	-
Total other financing sources (uses)	(21,580)	(16,000)	(12,000)	-	-
Net change in fund balances	-	176,862	(98,831)	1,573,772	(404,257)
FUND BALANCES:					
Beginning of year	77,241	280,594	130,236	11,475,612	404,257
Prior period adjustment	-	-	-	-	-
Beginning of year, as restated	77,241	280,594	130,236	11,475,612	404,257
End of year	$ 77,241	$ 457,456	$ 31,405	$ 13,049,384	$ -

Special Revenue Funds			Debt Service Funds		
County Support for City Streets	Maintenance District	Total Non-major Special Revenue Funds	Fire General Obligation Bonds	Fremont Financing Authority	Total Non-major Debt Service Funds
$ -	$ -	$ -	$ 3,287,725	$ -	$ 3,287,725
-	-	14,693,611	-	-	-
-	173,895	7,223,358	-	-	-
266	-	161,901	22,778	159,809	182,587
-	-	963,378	-	-	-
266	173,895	23,042,248	3,310,503	159,809	3,470,312
-	-	1,137,848	-	-	-
-	-	617,218	-	-	-
-	-	644,699	-	-	-
-	116,204	10,841,985	-	-	-
-	-	6,908,349	-	-	-
-	-	148,530	-	-	-
-	-	-	1,110,000	3,780,000	4,890,000
-	-	-	2,586,372	2,942,843	5,529,215
-	-	-	-	2,844,665	2,844,665
-	116,204	20,298,629	3,696,372	9,567,508	13,263,880
266	57,691	2,743,619	(385,869)	(9,407,699)	(9,793,568)
-	-	-	8,165,000	45,115,000	53,280,000
-	-	-	265,700	1,007,026	1,272,726
-	-	-	(8,020,000)	(45,225,335)	(53,245,335)
-	-	-	-	-	-
-	-	50,000	-	5,592,081	5,592,081
-	(5,766)	(430,189)	-	-	-
-	(5,766)	(380,189)	410,700	6,488,772	6,899,472
266	51,925	2,363,430	24,831	(2,918,927)	(2,894,096)
19,665	296,703	21,168,631	2,382,219	4,785,267	7,167,486
-	-	-	-	-	-
19,665	296,703	21,168,631	2,382,219	4,785,267	7,167,486
$ 19,931	$ 348,628	$ 23,532,061	$ 2,407,050	$ 1,866,340	$ 4,273,390

(Continued)

City of Fremont

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the fiscal year ended June 30, 2012

(With comparative totals for the fiscal year ended June 30, 2011)

	Capital Project Funds				
	Transportation Development Act	Miscellaneous State Grants Capital	Interchange Construction	Vehicle Replacement	Capital Improvement - Outside Sources
REVENUES:					
Property tax	$ -	$ -	$ -	$ -	$ -
Intergovernmental	258,840	1,321,629	-	-	2,707,043
Charges for services	-	-	-	-	404,615
Investment earnings	-	-	81,151	51,735	-
Other	-	-	-	-	534,290
Total revenues	258,840	1,321,629	81,151	51,735	3,645,948
EXPENDITURES:					
Current:					
Police services	-	-	-	-	-
Fire services	-	-	-	-	-
Human services	-	-	-	-	-
Capital assets maintenance and operations	258,840	1,321,629	-	53,258	3,060,110
Community development and environmental services	-	-	-	-	-
Capital outlay	-	-	1,260,668	1,519,220	289,424
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Payment to refunding escrow	-	-	-	-	-
Total expenditures	258,840	1,321,629	1,260,668	1,572,478	3,349,534
REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,179,517)	(1,520,743)	296,414
OTHER FINANCING SOURCES (USES):					
Debt proceeds	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-
Payment to refunding escrow	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	60,449	-
Transfers in	-	-	-	1,062,315	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	1,122,764	-
Net change in fund balances	-	-	(1,179,517)	(397,979)	296,414
FUND BALANCES:					
Beginning of year, as reported	-	-	4,240,262	4,240,492	2,533,304
Prior period adjustment	-	-	5,000,000	-	-
Beginning of year, as restated	-	-	9,240,262	4,240,492	2,533,304
End of year	$ -	$ -	$ 8,060,745	$ 3,842,513	$ 2,829,718

Capital Project Funds						
Measure B & F Grants, Streets, Bike & Pedestrian	Intermodal Surface Transportation Efficiency Act	Traffic System Management	Fire General Obligation Bonds	Total Non-major Capital Projects Funds	Total Non-major Governmental Funds 2012	Total Non-major Governmental Funds 2011
$ -	$ -	$ -	$ -	$ -	$ 3,287,725	$ 3,262,259
3,847,242	4,608,706	135,086	-	12,878,546	27,572,157	15,661,501
-	-	-	-	404,615	7,627,973	6,989,401
57,117	-	-	234	190,237	534,725	626,378
-	-	-	-	534,290	1,497,668	1,434,502
3,904,359	4,608,706	135,086	234	14,007,688	40,520,248	27,974,041
-	-	-	-	-	1,137,848	949,363
-	-	-	-	-	617,218	672,770
24,872	-	-	-	24,872	669,571	859,570
3,806,381	4,608,706	135,086	-	13,244,010	24,085,995	13,386,953
-	-	-	-	-	6,908,349	7,804,220
-	-	-	729,146	3,798,458	3,946,988	10,875,276
-	-	-	-	-	4,890,000	4,680,000
-	-	-	-	-	5,529,215	5,254,743
-	-	-	-	-	2,844,665	-
3,831,253	4,608,706	135,086	729,146	17,067,340	50,629,849	44,482,895
73,106	-	-	(728,912)	(3,059,652)	(10,109,601)	(16,508,854)
-	-	-	-	-	53,280,000	-
-	-	-	-	-	1,272,726	-
-	-	-	-	-	(53,245,335)	-
-	-	-	-	60,449	60,449	-
-	-	-	-	1,062,315	6,704,396	7,738,339
-	-	-	-	-	(430,189)	(1,070,458)
-	-	-	-	1,122,764	7,642,047	6,667,881
73,106	-	-	(728,912)	(1,936,888)	(2,467,554)	(9,840,973)
5,608,077	-	-	1,364,889	17,987,024	46,323,141	56,164,114
-	-	-	-	5,000,000	5,000,000	-
5,608,077	-	-	1,364,889	22,987,024	51,323,141	56,164,114
$ 5,681,183	$ -	$ -	$ 635,977	$ 21,050,136	$ 48,855,587	$ 46,323,141

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Proprietary Funds

City of Fremont
Combining Statement of Fund Net Assets
Proprietary Fund Type
June 30, 2012
(With comparative totals for June 30, 2011)

	Internal Service Funds			
			Totals	
	Risk Management	Information Technology	2012	2011
ASSETS				
Current assets:				
Cash and investments held by City	$ 15,065,135	$ 4,972,782	$ 20,037,917	$ 17,847,096
Other receivables	515	126,517	127,032	157,269
Total current assets	15,065,650	5,099,299	20,164,949	18,004,365
Noncurrent assets:				
Depreciable assets	-	8,107,250	8,107,250	8,985,907
Less accumulated depreciation	-	(5,326,792)	(5,326,792)	(6,501,301)
Land held for resale	2,821,430	-	2,821,430	2,821,430
Total noncurrent assets	2,821,430	2,780,458	5,601,888	5,306,036
Total assets	17,887,080	7,879,757	25,766,837	23,310,401
LIABILITIES				
Current liabilities:				
Accounts payable	196,148	100,584	296,732	222,136
Salaries and wages payable	58,748	83,482	142,230	134,537
Claims payable	4,643,000	-	4,643,000	4,646,000
Total current liabilities	4,897,896	184,066	5,081,962	5,002,673
Noncurrent liabilities:				
Claims payable	9,766,000	-	9,766,000	9,060,000
Total noncurrent liabilities	9,766,000	-	9,766,000	9,060,000
Total liabilities	14,663,896	184,066	14,847,962	14,062,673
NET ASSETS				
Invested in capital assets	-	2,780,458	2,780,458	2,484,606
Unrestricted	3,223,184	4,915,233	8,138,417	6,763,122
Total net assets	$ 3,223,184	$ 7,695,691	$ 10,918,875	$ 9,247,728

City of Fremont

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Fund Type

For the fiscal year ended June 30, 2012

(With comparative totals for the fiscal year ended June 30, 2011)

	Internal Service Funds			
			Totals	
	Risk Management	Information Technology	2012	2011
OPERATING REVENUES				
Charges for services	$ 7,248,797	$ 5,455,770	$ 12,704,567	$ 13,030,445
Other	37,593	191,973	229,566	67,103
Total operating revenues	7,286,390	5,647,743	12,934,133	13,097,548
OPERATING EXPENSES				
Salaries and wages	447,785	3,408,866	3,856,651	2,975,421
Insurance premiums	843,048	-	843,048	840,153
Provision for claim losses	4,312,526	-	4,312,526	5,550,373
Claims administration	257,106	-	257,106	288,082
Materials and supplies	7,814	2,062,570	2,070,384	1,235,662
Depreciation	-	131,343	131,343	256,272
Other	-	60,875	60,875	60,876
Total operating expenses	5,868,279	5,663,654	11,531,933	11,206,839
OPERATING INCOME (LOSS)	1,418,111	(15,911)	1,402,200	1,890,709
NONOPERATING REVENUES				
Investment income	173,288	59,701	232,989	234,375
Total nonoperating revenues	173,288	59,701	232,989	234,375
Contributed capital assets	-	35,958	35,958	-
Transfers in	-	-	-	38,109
Transfers out	-	-	-	(813,946)
INCREASE IN NET ASSETS	1,591,399	79,748	1,671,147	1,349,247
NET ASSETS				
Beginning of year	1,631,785	7,615,943	9,247,728	7,898,481
End of year	$ 3,223,184	$ 7,695,691	$ 10,918,875	$ 9,247,728

City of Fremont
Combining Statement of Cash Flows
Proprietary Fund Type
For the fiscal year ended June 30, 2012
(With comparative totals for the fiscal year ended June 30, 2011)

	Internal Service Funds			
			Totals	
	Risk Management	Information Technology	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from users	$ 7,248,282	$ 5,486,522	$ 12,734,804	$ 13,060,383
Other revenue	37,593	191,973	229,566	67,103
Less: Payments to suppliers	(1,040,958)	(2,054,984)	(3,095,942)	(2,263,293)
Payments for employee services	(429,766)	(3,419,192)	(3,848,958)	(2,953,481)
Payments for claims paid	(3,609,526)	-	(3,609,526)	(5,432,373)
Payments to others	-	(60,875)	(60,875)	(60,875)
Net cash provided by operating activities	2,205,625	143,444	2,349,069	2,417,464
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on cash and investments	173,288	59,701	232,989	234,375
Net cash provided by investing activities	173,288	59,701	232,989	234,375
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	-	(391,237)	(391,237)	(95,306)
Net cash used in capital financing activities	-	(391,237)	(391,237)	(95,306)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	-	38,109
Transfers out	-	-	-	(813,946)
Net cash used in noncapital financing activities	-	-	-	(775,837)
Net increase (decrease) in cash and cash investments	2,378,913	(188,092)	2,190,821	1,780,696
CASH AND INVESTMENTS				
Beginning of year	12,686,222	5,160,874	17,847,096	16,066,400
End of year	$ 15,065,135	$ 4,972,782	$ 20,037,917	$ 17,847,096
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 1,418,111	$ (15,911)	$ 1,402,200	$ 1,890,709
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	131,343	131,343	256,272
Changes in operating assets and liabilities:				
Other receivables	(515)	30,753	30,238	29,938
Accounts payable	67,010	7,585	74,595	100,605
Salaries and wages payable	18,019	(10,326)	7,693	21,940
Claims payable	703,000	-	703,000	118,000
Net cash provided by operating activities	$ 2,205,625	$ 143,444	$ 2,349,069	$ 2,417,464
Noncash capital financing activities				
Contributed capital assets received	$ -	$ 35,958	$ 35,958	$ -

Agency Funds

FIDUCIARY FUND FINANCIAL STATEMENTS

Fiduciary Funds are used to account for assets held by the City on behalf of others as their agent. Specific fiduciary funds are as follows:

Agency Funds

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. Although the bonds were paid in full in February 2010, this fund will continue to exist until FY 2012/13 when the loan from the Integrated Waste Management Fund to the Authority to redeem the bonds will be paid off.

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 Newark, Union Sanitary District and Alameda County Water District.

City of Fremont
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(With comparative totals for June 30, 2011)

	Local Improvement Districts	Performance Bonds, Deposits and Confiscated Assets	Tri-City Waste Facility Financing Authority	Southern Alameda County GIS	Total 2012	Total 2011
All Agency Funds						
Assets:						
Cash and investments held by City	$ 9,166,187	$ 1,534,604	$ 430	$ 649	$ 10,701,870	$ 11,395,134
Restricted cash and investments held by fiscal agent	4,946,653	-	-	-	4,946,653	7,190,260
Accounts receivable	-	-	-	11,342	11,342	23,390
Prepaids	-	-	71,398	-	71,398	-
Other receivables	-	-	35,248	-	35,248	4,460
Total assets	$ 14,112,840	$ 1,534,604	$ 107,076	$ 11,991	$ 15,766,511	$ 18,613,244
Liabilities:						
Accounts payable	$ -	$ 18,792	$ 107,076	$ -	$ 125,868	$ 508,935
Cash overdraft	-	-	-	-	-	1,657
Deposits	14,112,840	1,515,812	-	11,991	15,640,643	18,102,652
Total liabilities	$ 14,112,840	$ 1,534,604	$ 107,076	$ 11,991	$ 15,766,511	$ 18,613,244

City of Fremont
Statement of Changes in Assets and Liabilities
Agency Funds
For the fiscal year ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Local Improvement Districts				
Assets:				
Cash and investments held by City	$ 10,196,085	$ 8,683,793	$ (9,713,691)	$ 9,166,187
Restricted cash and investments held by fiscal agent	7,190,260	2,431,703	(4,675,310)	4,946,653
Other receivables	4,460	691,455	(695,915)	-
Total assets	$ 17,390,805	$ 11,806,951	$ (15,084,916)	$ 14,112,840
Liabilities:				
Deposits	$ 17,390,805	$ 12,974,404	$ (16,252,369)	$ 14,112,840
Total liabilities	$ 17,390,805	$ 12,974,404	$ (16,252,369)	$ 14,112,840
Performance Bonds, Deposits and Confiscated Assets				
Assets:				
Cash and investments held by City	$ 1,199,049	$ 1,030,503	$ (694,948)	$ 1,534,604
Accounts receivable	9,819	-	(9,819)	-
Total assets	$ 1,208,868	$ 1,030,503	$ (704,767)	$ 1,534,604
Liabilities:				
Accounts payable	$ 4,516	$ 595,992	$ (581,716)	$ 18,792
Deposits	1,204,352	1,002,268	(690,808)	1,515,812
Total liabilities	$ 1,208,868	$ 1,598,260	$ (1,272,524)	$ 1,534,604
Tri-City Waste Financing Authority				
Assets:				
Cash and investments held by City	$ -	$ 436,088	$ (435,658)	$ 430
Prepaids	-	71,398	-	71,398
Other receivables	-	35,248	-	35,248
Total assets	$ -	$ 542,734	$ (435,658)	$ 107,076
Liabilities:				
Accounts payable	$ 504,419	$ -	$ (397,343)	$ 107,076
Deposits	(504,419)	503,989	430	-
Total liabilities	$ -	$ 503,989	$ (396,913)	$ 107,076

(Continued)

City of Fremont
Statement of Changes in Assets and Liabilities
Agency Funds, Continued
For the fiscal year ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Southern Alameda County GIS				
Assets:				
Cash and investments held by City	$ -	$ 16,327	$ (15,678)	$ 649
Accounts receivable	13,571	27,592	(29,821)	11,342
Total assets	$ 13,571	$ 43,919	$ (45,499)	$ 11,991
Liabilities:				
Accounts payable	$ -	$ 2,000	$ (2,000)	$ -
Cash overdraft	1,657	-	(1,657)	-
Deposits	11,914	77	-	11,991
Total liabilities	$ 13,571	$ 2,077	$ (3,657)	$ 11,991
Total Agency Funds				
Assets:				
Cash and investments held by City	$ 11,395,134	$ 10,166,711	$ (10,859,975)	$ 10,701,870
Restricted cash and investments held by fiscal agent	7,190,260	2,431,703	(4,675,310)	4,946,653
Accounts receivable	23,390	27,592	(39,640)	11,342
Prepaids	-	71,398	-	71,398
Other receivables	4,460	726,703	(695,915)	35,248
Total assets	$ 18,668,766	$ 13,424,107	$ (16,270,840)	$ 15,766,511
Liabilities:				
Accounts payable	$ 508,935	$ 597,992	$ (981,059)	$ 125,868
Cash overdraft	1,657	-	(1,657)	-
Deposits	18,102,652	14,480,738	(16,942,747)	15,640,643
Total liabilities	$ 18,613,244	$ 15,078,730	$ (17,925,463)	$ 15,766,511

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Human Services Fund

Descriptions – Human Services Fund

The Human Services Fund is a major 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.

Family Resource Center Corporation – This fund accounts for the operations of a 501(c)(3) non-profit supporting organization for the Fremont Family Resource Center, organized to accept grants and donations from organizations and foundations.

Haas Grant – This fund accounts for monies from the Evelyn and Walter Haas, Jr. Fund for the Family Resource Center (FRC). 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 Fund Balance Sheet
June 30, 2012
(With comparative totals for June 30, 2011)

	Community Development Block Grant	HUD/HOPE Grant	HUD/SHP Grant	Older Americans Grant
ASSETS				
Cash and investments held by City	$ -	$ -	$ -	$ -
Receivables:				
Due from other governmental agencies	604,866	-	248,173	15,965
Housing loans receivable, net	1,406,794	-	-	-
Accounts receivable	-	-	-	-
Total assets	$ 2,011,660	$ -	$ 248,173	$ 15,965
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 229,713	$ -	$ 123,023	$ -
Salaries and wages payable	10,044	-	-	-
Due to other funds	378,706	-	125,150	15,965
Deferred revenue	1,393,197	-	-	-
Total liabilities	2,011,660	-	248,173	15,965
Fund Balances:				
Restricted for social service programs	-	-	-	-
Committed for social service programs	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities and fund balances	$ 2,011,660	$ -	$ 248,173	$ 15,965

Tri-City Elders		Senior Services		Multipurpose Senior Services Program		Area Agency on Aging MSSP		Alameda County Senior Mobile Mental Health		Family Resource Center		Family Resource Center Corporation	
$	166,947	$	285,072	$	-	$	-	$	-	$	3,257,374	$	123,093
	-		-		62,343		39,867		115,744		202,933		27,185
	-		-		-		-		-		-		-
	-		9,766		-		-		-		-		48,253
$	166,947	$	294,838	$	62,343	$	39,867	$	115,744	$	3,460,307	$	198,531
$	1,187	$	13,510	$	2,885	$	146	$	1,603	$	13,437	$	1,155
	-		21,568		-		-		-		44,627		-
	-		-		59,458		39,721		114,141		-		-
	-		-		-		-		-		-		-
	1,187		35,078		62,343		39,867		115,744		58,064		1,155
	165,760		-		-		-		-		3,402,243		197,376
	-		259,760		-		-		-		-		-
	165,760		259,760		-		-		-		3,402,243		197,376
$	166,947	$	294,838	$	62,343	$	39,867	$	115,744	$	3,460,307	$	198,531

(Continued)

City of Fremont
Supplemental Information
Summary of Human Services Fund Balance Sheet, continued
June 30, 2012
(With comparative totals for June 30, 2011)

	Haas Grant	Youth Service Center	Every Child Counts Grant	Alameda Behavioral Health Care
ASSETS				
Cash and investments held by City	$ -	$ -	$ 347,455	$ -
Receivables:				
Due from other governmental agencies	-	184,193	260,061	37,806
Housing loans receivable, net	-	-	-	-
Accounts receivable	-	-	-	-
Total assets	$ -	$ 184,193	$ 607,516	$ 37,806
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Salaries and wages payable	-	-	-	-
Due to other funds	-	184,193	-	37,806
Deferred revenue	-	-	-	-
Total liabilities	-	184,193	-	37,806
Fund Balances:				
Restricted for social service programs	-	-	607,516	-
Committed for social service programs	-	-	-	-
Total fund balances	-	-	607,516	-
Total liabilities and fund balances	$ -	$ 184,193	$ 607,516	$ 37,806

Measure B Para-Transit	Miscellaneous Donations and Grants	Human Services Operating	Total Summary of Human Services Fund 2012	2011
$ 55,360	$ 804,720	$ 1,180,693	$ 6,220,714	$ 6,103,743
271,096	384,884	-	2,455,116	2,436,478
-	-	-	1,406,794	1,481,712
-	-	7,373	65,392	34,977
$ 326,456	$ 1,189,604	$ 1,188,066	$ 10,148,016	$ 10,056,910
$ 80,079	$ 2,893	$ 72,029	$ 541,660	$ 618,143
1,576	-	151,187	229,002	237,967
-	-	-	955,140	1,055,136
-	-	-	1,393,197	1,476,691
81,655	2,893	223,216	3,118,999	3,387,937
244,801	1,186,711	-	5,804,407	5,639,636
-	-	964,850	1,224,610	1,029,337
244,801	1,186,711	964,850	7,029,017	6,668,973
$ 326,456	$ 1,189,604	$ 1,188,066	$ 10,148,016	$ 10,056,910

(Concluded)

City of Fremont

Supplemental Information

Summary of Human Services Fund Revenues, Expenditures, and Changes in Fund Balance

For the fiscal year ended June 30, 2012

(With comparative totals for the fiscal year ended June 30, 2011)

	Community Development Block Grant	HUD/HOPE Grant	HUD/SHP Grant	Older Americans Grant
REVENUES:				
Intergovernmental	$ 1,394,190	$ -	$ 248,172	$ 42,392
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Other	137,143	-	-	-
Total revenues	1,531,333	-	248,172	42,392
EXPENDITURES:				
Current:				
Human services	265,669	-	-	42,392
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	1,252,452	-	248,043	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	1,518,121	-	248,043	42,392
REVENUES OVER (UNDER) EXPENDITURES	13,212	-	129	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(13,212)	(6,211)	(129)	-
Total other financing sources (uses)	(13,212)	(6,211)	(129)	-
Net change in fund balances	-	(6,211)	-	-
FUND BALANCES:				
Beginning of year	-	6,211	-	-
End of year	$ -	$ -	$ -	$ -

Tri-City Elders	Senior Services	Multipurpose Senior Services Program	Area Agency on Aging MSSP	Alameda County Senior Mobile Mental Health	Family Resource Center	Family Resource Center Corporation
$ -	$ -	$ 194,321	$ 143,943	$ 427,999	$ 100,991	$ 2,328
3,230	147,838	-	-	38,619	1,044,893	48,570
2,574	-	-	-	-	43,077	-
61,360	159,813	-	-	-	53,193	284,807
67,164	307,651	194,321	143,943	466,618	1,242,154	335,705
53,572	704,081	209,965	142,831	429,754	572,186	294,002
-	-	-	-	-	6,399	-
-	-	-	-	-	-	-
-	-	-	-	-	126,012	-
53,572	704,081	209,965	142,831	429,754	704,597	294,002
13,592	(396,430)	(15,644)	1,112	36,864	537,557	41,703
-	407,895	23,030	-	-	115,949	182,931
-	(7,200)	(7,386)	(1,112)	(36,864)	(902,880)	(27,258)
-	400,695	15,644	(1,112)	(36,864)	(786,931)	155,673
13,592	4,265	-	-	-	(249,374)	197,376
152,168	255,495	-	-	-	3,651,617	-
$ 165,760	$ 259,760	$ -	$ -	$ -	$ 3,402,243	$ 197,376

(Continued)

City of Fremont

Supplemental Information, continued

Summary of Human Services Fund Revenues, Expenditures, and Changes in Fund Balance

For the fiscal year ended June 30, 2012

(With comparative totals for the fiscal year ended June 30, 2011)

	Haas Grant	Youth Service Center	Every Child Counts Grant	Alameda Behavioral Health Care
REVENUES:				
Intergovernmental	$ -	$ 410,264	$ 971,685	$ 185,712
Charges for services	-	-		-
Investment earnings	-	-	-	-
Other	-	-	-	-
Total revenues	-	410,264	971,685	185,712
EXPENDITURES:				
Current:				
Human services	-	410,264	952,402	167,742
Capital assets maintenance and operations	-	-	-	-
Community development and environmental services	-	-	-	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	-	410,264	952,402	167,742
EXPENDITURES	-	-	19,283	17,970
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(3,584)	-	(66,146)	(17,970)
Total other financing sources (uses)	(3,584)	-	(66,146)	(17,970)
Net change in fund balances	(3,584)	-	(46,863)	-
FUND BALANCES:				
Beginning of year	3,584	-	654,379	-
End of year	$ -	$ -	$ 607,516	$ -

Measure B Para-Transit	Miscellaneous Donations and Grants	Human Services Operating	Intrafund elimination	Total Summary of Human Services Fund Revenues, Expenditures, and Changes in Fund Balances 2012	2011
$ 862,108	$ 390,728	$ 16,780	$ -	$ 5,391,613	$ 5,538,447
-	27,165	192,063	-	1,502,378	1,488,964
1,272	-	12,218	-	59,141	58,286
-	31,187	681	-	728,184	758,715
863,380	449,080	221,742	-	7,681,316	7,844,412
748,799	294,421	3,175,048	-	8,463,128	8,077,520
-	-	-	-	6,399	205,986
-	-	-	-	1,500,495	1,618,207
-	-	-	-	126,012	248,655
748,799	294,421	3,175,048	-	10,096,034	10,150,368
114,581	154,659	(2,953,306)	-	(2,414,718)	(2,305,956)
-	9,795	3,462,451	(339,091)	3,862,960	4,674,120
(19,200)	-	(318,137)	339,091	(1,088,198)	(1,375,144)
(19,200)	9,795	3,144,314	-	2,774,762	3,298,976
95,381	164,454	191,008	-	360,044	993,020
149,420	1,022,257	773,842	-	6,668,973	5,675,953
$ 244,801	$ 1,186,711	$ 964,850	$ -	$ 7,029,017	$ 6,668,973

(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: $22,940,000* City of Fremont (Alameda County, California) 2013 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 $22,940,000* principal amount of its City of Fremont (Alameda County, California) 2013 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 October 16, 2012 (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.

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*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

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This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF FREMONT (the "City") in connection with the issuance of $22,940,000* City of Fremont 2013 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the City Council of the City on October 16, 2012 (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 2012-13 Fiscal Year, which is due not later than March 31, 2014, 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. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. 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 2013 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 [Closing Date], 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