

**CITY OF KING CITY
COUNTY OF MONTEREY
FINANCIAL STATEMENTS RELATING TO
THE TRANSPORTATION DEVELOPMENT ACT,
SECTION 99400(a)
FOR STREET AND ROAD PURPOSES
June 30, 2010 and 2009**

TR**S** TEAMAN, RAMIREZ & SMITH, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Transportation Agency for Monterey County
Salinas, California

We have audited the accompanying statements of revenues collected, expenditures paid and changes in unexpended claims for street and road purposes relating to the Transportation Development Act (TDA), Section 99400(a), of the Public Utilities Code, of the City of King City, for the fiscal years ended June 30, 2010 and 2009. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements were prepared to present only the TDA funds referred to above as described in Note 1, and are not intended to be a complete presentation of the financial position of the City of King City at June 30, 2010 and 2009, or the results of its operations for the fiscal years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues collected, expenditures paid and changes in unexpended claims for street and road purposes relating to the TDA, Section 99400(a), of the Public Utilities Code, of the City of King City, for the fiscal years ended June 30, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information and use of management, the Transportation Agency for Monterey County, the State of California Department of Transportation and the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith, Inc.

April 14, 2011

FINANCIAL SECTION

City of King City
Transportation Development Act Funds
Statements of Revenues Collected, Expenditures Paid and Changes in Unexpended
Claims for Street and Road Purposes
Relating to Section 99400(a) of the Public Utilities Code
Fiscal Years Ended June 30, 2010 and 2009

	2010	2009
REVENUES		
Allocations claimed for street and road purposes:		
Local Transportation Fund, Section 99400(a)	\$ 280,000	\$ -
Investment Income	-	-
Transfers from Gas Tax Fund	-	-
	280,000	-
 EXPENDITURES		
Street Maintenance	16,995	263,005
Total Expenditures	16,995	263,005
Excess (deficiency) of revenues over expenditures	263,005	(263,005)
 BALANCE OF UNEXPENDED TDA CLAIMS, BEGINNING OF YEAR	(263,005)	-
 PRIOR PERIOD ADJUSTMENT	(128,674)	-
 BALANCE OF UNEXPENDED TDA CLAIMS, END OF YEAR	\$ (128,674)	\$ (263,005)

City of King City
Transportation Development Act Funds
Notes to Financial Statements
June 30, 2010 and June 30, 2009

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City accounts for its claimed allocations of TDA Section 99400(a) funds in a separate special revenue fund. Interest income is allocated to this fund if TDA claims are received by the City prior to the expenditures being incurred. For the most part, TDA claims are received by the City after the expenditures have been incurred (reimbursement basis).

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements presented are prepared from select accounts and financial transactions of the TDA Fund of the City of King City. The financial statements present the information required to demonstrate the City's compliance with the Transportation Development Act, Section 99400(a), reimbursements for street and road expenditures. Accordingly, they do not present the financial position or the results of operations of the City of King City.

The financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other financial resources are recognized when they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the fund liability is incurred with certain exceptions.

II) REQUIRED ALLOCATIONS

Regional Transportation Planning claims are controlled by the Transportation Agency for Monterey County (TAMC). South County Transit, and Congestion Management Agency contributions (CMA) planning claims are controlled by that agency. The claims reduce the balance of Local Transportation Funds held in trust for the City. These amounts are not included in the financial statements of the City and are included in a separate audit report.

III) PRIOR PERIOD ADJUSTMENT

The prior period adjustment in the Statement of Revenues Collected, Expenditures Paid and Changes in Unexpanded Claims for Street and Road Purposes is the result of an additional reimbursement request relating to street maintenance expenditures in the 2008-09 fiscal year.

SUPPLEMENTARY INFORMATION

City of King City
Transportation Development Act Funds
Schedule of Approved Allocations and Claims Paid by Project Relating to Section
99400(a) of the Public Utilities Code
Fiscal Years Ended June 30, 2010 and 2009

	<u>Transportation Agency for Monterey County Approved Allocations</u>	<u>Amount Claimed</u>
2010		
<hr/>		
Streets and Roads, Section 99400(a):		
Street Maintenance	\$ 300,964	\$ 145,669
	<hr/>	<hr/>
Maximum Approved Allocation	<u>\$ 300,964</u>	<u>\$ 145,669</u>
 2009		
<hr/>		
Streets and Roads, Section 99400(a):		
Street Maintenance	\$ 224,144	\$ -
	<hr/>	<hr/>
Maximum Approved Allocation	<u>\$ 224,144</u>	<u>\$ -</u>

City of King City
Transportation Development Act Funds
Schedule of Cumulative TDA Allocations and Claimed Expenditures Relating to Section 99400(a)
of the Public Utilities Code
Fiscal Year Ended June 30, 2010

	Fiscal Year 2010		Cumulative Total - June 30, 2010			Project Status
	TDA		TDA		Unexpended	
	Allocations Claimed	Expenditures	Allocations Claimed	Expenditures	TDA Claims	
Streets and Roads, Section 99400(a): Street Maintenance	\$ 145,669	\$ 16,995	\$ 145,669	\$ 145,669	\$ -	Ongoing
Total	<u>\$ 145,669</u>	<u>\$ 16,995</u>	<u>\$ 145,669</u>	<u>\$ 145,669</u>	<u>\$ -</u>	

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND
THE TRANSPORTATION DEVELOPMENT ACT**

Transportation Agency for Monterey County
Salinas, California

We have audited the statement of revenues collected, expenditures paid and changes in unexpended claims for street and road purposes relating to the Transportation Development Act (TDA), Section 99400(a) of the Public Utilities Code, of the City of King City, for the fiscal year ended June 30, 2010, and have issued our report thereon dated April 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over the Transportation Development Act, Section 99400(a) claims for street and road purposes financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over the Transportation Development Act, Section 99400(a) claims for street and road purposes financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the statement of revenues collected, expenditures paid and changes in unexpended claims for street and road purposes relating to the Transportation Development Act (TDA), Section 99400(a) of the Public Utilities Code, of the City of King City are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including, to the extent applicable, the statutes, rules and regulations of the Transportation Development Act, Section 6666 of Title 21 of the California Administrative Code and the allocation instructions and resolutions of the Transportation Agency for Monterey County, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Transportation Development Act.

This report is intended solely for the information and use of management, the Transportation Agency for Monterey County, the State of California Department of Transportation and the State of California Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith, Inc.

April 14, 2011