

CITY OF GONZALES

**TRANSPORTATION DEVELOPMENT
ACT FUND**

WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2012

**SEGREGATED BY SECTIONS 99234 and 99400(a)
OF THE PUBLIC UTILITIES CODE**

CITY OF GONZALES
TRANSPORTATION DEVELOPMENT ACT FUNDS
SECTIONS 99234 and 99400(a) OF THE PUBLIC UTILITIES CODE
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June 30, 2012

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INDEPENDENT AUDITORS' REPORT

City Council
City of Gonzales
Gonzales, California

We have audited the financial statements of the City of Gonzales Transportation Development Act Fund allocated for non-transit purposes as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. 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.

As discussed in Note 1, the financial statements present only the City of Gonzales Transportation Development Act Fund allocated for non-transit purposes and is not intended to present fairly the financial position and results of operations of the City of Gonzales in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the City of Gonzales Transportation Development Act Fund allocated for non-transit purposes as of June 30, 2012, and the results of its operations for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 20, 2013 on our consideration of the City of Gonzales Transportation Development Act Fund allocated for non-transit purposes' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Moss, Levy & Hartzheim LLP

Santa Maria, California
March 20, 2013

CITY OF GONZALES
TRANSPORTATION DEVELOPMENT ACT FUND
SECTIONS 99234 and 99400(a) OF THE PUBLIC UTILITIES CODE
BALANCE SHEET
 June 30, 2012

	<u>99234</u>	<u>99400(a)</u>	<u>Total</u>
ASSETS			
Cash	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Fund Balance			
Restricted for road and bike pathway construction	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF GONZALES
TRANSPORTATION DEVELOPMENT ACT FUND
SECTIONS 99234 and 99400(a) OF THE PUBLIC UTILITIES CODE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2012

	<u>99234</u>	<u>99400(a)</u>	<u>Total</u>
Revenues:			
Local transportation funds	\$ -	\$ 96,614	\$ 96,614
Total revenues		<u>96,614</u>	<u>96,614</u>
Expenditures:			
Street maintenance		<u>96,614</u>	<u>96,614</u>
Total expenditures		<u>96,614</u>	<u>96,614</u>
Excess (deficit) revenues over expenditures			
Fund balance, beginning of fiscal year			
Fund balance, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF GONZALES
TRANSPORTATION DEVELOPMENT ACT FUNDS
SECTIONS 99234 and 99400(a) OF THE PUBLIC UTILITIES CODE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Transportation Development Act Fund allocated for non transit purposes of the City of Gonzales (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. 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. The Reporting Entity

The financial statements are intended to present the financial position and results of the operations of only those transactions attributable to the Transportation Development Act Fund allocated for non-transit purposes of the City of Gonzales. The City of Gonzales's basic financial statements are available from City Hall at 147 Fourth Street, Gonzales, CA 93926.

B. Fund Accounting

The City of Gonzales uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types". The City utilizes the special revenue fund type of the governmental fund category to report its financial activity of the Transportation Development Act Fund.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital projects funds), and the servicing of long-term debt (debt service funds).

The general fund is used to account for all activities of the general government not accounted for in some other fund.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when related fund liability is incurred.

D. Cash

The City of Gonzales maintains a cash and investment pool, and allocates interest to the various funds based upon the average monthly cash balances. Information regarding categorization of investments can be found in the City of Gonzales's Basic Financial Statements.

SUPPLEMENTARY INFORMATION SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

City Council
City of Gonzales
Gonzales, California

We have audited the financial statements of the City of Gonzales Transportation Development Act Fund allocated for non-transit purposes as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated March 20, 2013. 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. Our audit was further made to determine that allocations made to and expenditures made by the City were made in accordance with the rules and regulations of the Transportation Agency for Monterey County and in conformance with the Transportation Development Act.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the City of Gonzales Transportation Development Act Fund allocated for non-transit purposes' 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 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 City of Gonzales Transportation Development Act Fund allocated for non-transit purposes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We have examined the City of Gonzales Transportation Development Act Fund's compliance with Transportation Development Act (TDA) requirements that funds allocated to and

received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the Transportation Agency for Monterey County as required by Section 6666 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the fiscal year ended June 30, 2012. Section 6666 requires that for a non-transit claimant, the independent auditor shall perform at least the following tasks: (a) Determine whether the funds received by the claimant pursuant to the Act were expended in conformance with those sections of the Act specifying the qualified purposes, including Public Utilities Code section 99402 for streets and roads claimants and section 99233.3 for claimants under that section for pedestrian and bicycle facilities and bicycle safety education programs, (b) Determine whether the funds received by the claimant pursuant to the Act were expended in conformance with the applicable rules, regulations, and procedures of the transportation-planning agency and in compliance with the allocation instructions, and (c) Determine whether interest earned on funds received by the claimant pursuant to the Act were expended only for those purposes for which the funds were allocated, in accordance with Public Utilities Code sections 99301 and 99301.5. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2012.

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

Moss, Remy & Hartshorn LLP

Santa Maria, California
March 20, 2013