

**CITY OF ARROYO GRANDE
AUDIT REPORT OF THE
STREET CONSTRUCTION FUND
LOCAL TRANSPORTATION FUND ARTICLE 8(a)
AND STATE TRANSIT ASSISTANCE FUND
AUDIT REPORT OF THE
LOCAL TRANSPORTATION FUND
ARTICLES 8(c) AND 4(a)
JUNE 30, 2011 AND JUNE 30, 2010**

CITY OF ARROYO GRANDE
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June 30, 2011 and June 30, 2010

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CITY OF ARROYO GRANDE

**AUDIT REPORT OF THE
STREET CONSTRUCTION FUND
LOCAL TRANSPORTATION FUND ARTICLE 8(a)
AND STATE TRANSIT ASSISTANCE FUND**

JUNE 30, 2011 AND JUNE 30, 2010



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

San Luis Obispo Council of Governments
San Luis Obispo, California

We have audited the financial statements of the Street Construction Fund of the City of Arroyo Grande (the City) as of and for the fiscal years ended June 30, 2011 and June 30, 2010, 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. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Street Construction Fund of the City of Arroyo Grande as of June 30, 2011 and June 30, 2010, and the results of its operations for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was further made for the purposes of determining compliance with the Transportation Development Act Section 99400(a), the California Administrative Code, and the rules and regulations of the San Luis Obispo Council of Governments. In our audit, we performed, to the extent applicable, the tasks contained in Section 6666 of the California Administrative Code.

In our opinion, the funds allocated and received by the Street Construction Fund of the City of Arroyo Grande were expended and accounted for in conformance with applicable laws, rules, and regulations of the Transportation Development Act, the California Administrative Code, and the allocation instructions of the San Luis Obispo Council of Governments.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

December 20, 2011

CITY OF ARROYO GRANDE
STREET CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
 Pertaining to Sections 99400(a) and 99233.3 of the Public Utilities Code
 For the Fiscal Years Ended June 30, 2011 and June 30, 2010

	2011		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Intergovernmental	\$ 92,293	\$ 92,293	\$ -
EXPENDITURES			
Maintenance	92,293	92,293	
Revenues over (under) expenditures	<u>\$ -</u>		<u>\$ -</u>
Fund balance, beginning of fiscal year			
Fund balance, end of fiscal year		<u>\$ -</u>	

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Intergovernmental	\$ 101,597	\$ 101,597	\$ -
EXPENDITURES			
Maintenance	101,597	101,597	
Revenues over (under) expenditures	<u>\$ -</u>		<u>\$ -</u>
Fund balance, beginning of fiscal year			
Fund balance, end of fiscal year		<u>\$ -</u>	

CITY OF ARROYO GRANDE
STREET CONSTRUCTION FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and June 30, 2010

NOTE 1 – FINANCIAL REPORTING ENTITY

The Street Construction Fund is a special revenue fund of the City of Arroyo Grande, and the financial statements of the fund are included in the basic financial statements of the City.

NOTE 2 – BASIS OF ACCOUNTING

The Street Construction Fund is accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

NOTE 3 - ALLOCATIONS

The City of Arroyo Grande's allocation under Article 8, Section 99400(a) for the fiscal year ended June 30, 2011, was \$82,413.

The City of Arroyo Grande's allocation under Article 3, Section 99233.3 for the fiscal year ended June 30, 2011, was \$9,101.

The City of Arroyo Grande's allocation under Article 3, Section 99245 for the fiscal year ended June 30, 2011, was \$779.

NOTE 4 – INTERNAL ACCOUNTING CONTROL

As part of our audit, we made a study of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist in planning and performing the audit of the financial statements. No material weaknesses in the internal control structure were noted.

CITY OF ARROYO GRANDE

**AUDIT REPORT OF THE
LOCAL TRANSPORTATION FUND
ARTICLES 8(c) AND 4(a)**

JUNE 30, 2011 AND JUNE 30, 2010



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITORS' REPORT

San Luis Obispo Council of Governments
San Luis Obispo, California

We have audited the financial statements of the Local Transportation Fund of the City of Arroyo Grande (the City) as of and for the fiscal years ended June 30, 2011 and June 30, 2010, 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. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Fund of the City of Arroyo Grande as of June 30, 2011 and June 30, 2010, and the results of its operations and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was further made for the purposes of determining compliance with the Transportation Development Act Section 99400(a), the California Administrative Code, and the rules and regulations of the San Luis Obispo Council of Governments. In our audit, we performed, to the extent applicable, the tasks contained in Section 6667 of the California Administrative Code.

In our opinion, the funds allocated and received by the Local Transportation Fund of the City of Arroyo Grande were expended and accounted for in conformance with applicable laws, rules, and regulations of the Transportation Development Act, the California Administrative Code, and the allocation instructions of the San Luis Obispo Council of Governments.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

December 20, 2011

CITY OF ARROYO GRANDE
LOCAL TRANSPORTATION FUND
BALANCE SHEETS

Pertaining to Sections 99400(c) and 99260(a) of the Public Utilities Code
 June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Due from City of Arroyo Grande	<u>\$ -</u>	<u>\$ -</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
LIABILITIES		
Due to City of Arroyo Grande	<u>\$ 77,491</u>	<u>\$ 77,491</u>
Total liabilities	<u>77,491</u>	<u>77,491</u>
ACCUMULATED DEFICIT		
Restricted for operations	<u>(77,491)</u>	<u>(77,491)</u>
Total accumulated deficit	<u>(77,491)</u>	<u>(77,491)</u>
Total liabilities and accumulated deficit	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements

CITY OF ARROYO GRANDE
LOCAL TRANSPORTATION FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN ACCUMULATED EARNINGS
RESTRICTED

Pertaining to Sections 99400(c) and 99260(a) of the Public Utilities Code
For the Fiscal Years Ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Passenger fares	\$ -	\$ -
OPERATING EXPENSES		
Purchased transportation services	<u>117,651</u>	<u>119,740</u>
Operating loss	(117,651)	(119,740)
NON-OPERATING REVENUES		
Grant funds allocated for transit operations:		
Local Transportation Fund	<u>117,651</u>	<u>119,737</u>
Net income (loss)		(3)
Accumulated earnings - restricted, beginning of fiscal year	<u>(77,491)</u>	<u>(77,488)</u>
Accumulated earnings - restricted, end of fiscal year	<u><u>\$ (77,491)</u></u>	<u><u>\$ (77,491)</u></u>

CITY OF ARROYO GRANDE
LOCAL TRANSPORTATION FUND
STATEMENTS OF CASH FLOWS
 Pertaining to Sections 99400(c) and 99260(a) of the Public Utilities Code
 For the Fiscal Years Ended June 30, 2011 and June 30, 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Payment to suppliers	\$ (117,651)	\$ (119,737)
Net cash used by operating activities	<u>(117,651)</u>	<u>(119,737)</u>
 Cash Flows from Non-Capital Financing Activities:		
Grants received	<u>117,651</u>	<u>119,737</u>
Net cash provided by non-capital financing activities	<u>117,651</u>	<u>119,737</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents, beginning of fiscal year	<u> </u>	<u> </u>
Cash and cash equivalents, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$ (117,651)	\$ (119,740)
Increase (decrease) in operating liabilities:		
Due to City of Arroyo Grande	<u> </u>	<u> 3</u>
Net cash used by operating activities	<u>\$ (117,651)</u>	<u>\$ (119,737)</u>

See accompanying notes to financial statements

CITY OF ARROYO GRANDE
LOCAL TRANSPORTATION FUND
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
ACCUMULATED EARNINGS - RESTRICTED
 Pertaining to Sections 99400(c) and 99260(a) of the Public Utilities Code
 For the Fiscal Year Ended June 30, 2011

	San Luis Obispo Regional <u>Transit System</u>	<u>Five Cities Shuttle</u>
OPERATING REVENUES		
Passenger fares	\$ -	\$ -
OPERATING EXPENSES		
Purchased transportation services	<u>107,326</u>	<u>10,325</u>
Operating loss	(107,326)	(10,325)
NON-OPERATING REVENUES		
Grant funds allocated for transit operations:		
Local Transportation Fund	<u>110,651</u>	<u>7,000</u>
Net income (loss)	3,325	(3,325)
Accumulated earnings - restricted, beginning of fiscal year	<u>35,969</u>	<u>(113,460)</u>
Accumulated earnings - restricted, end of fiscal year	<u><u>\$ 39,294</u></u>	<u><u>\$ (116,785)</u></u>

See accompanying notes to financial statements

CITY OF ARROYO GRANDE
LOCAL TRANSPORTATION FUND
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
ACCUMULATED EARNINGS - RESTRICTED
 Pertaining to Sections 99400(c) and 99260(a) of the Public Utilities Code
 For the Fiscal Year Ended June 30, 2010

	San Luis Obispo Regional <u>Transit System</u>	<u>Five Cities Shuttle</u>
OPERATING REVENUES		
Passenger fares	\$ -	\$ -
OPERATING EXPENSES		
Purchased transportation services	<u>108,900</u>	<u>10,840</u>
Operating loss	(108,900)	(10,840)
NON-OPERATING REVENUES		
Grant funds allocated for transit operations:		
Local Transportation Fund	<u>112,737</u>	<u>7,000</u>
Net income	3,837	(3,840)
Accumulated earnings - restricted, beginning of fiscal year	<u>32,132</u>	<u>(109,620)</u>
Accumulated earnings - restricted, end of fiscal year	<u><u>\$ 35,969</u></u>	<u><u>\$ (113,460)</u></u>

**CITY OF ARROYO GRANDE
LOCAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and June 30, 2010**

NOTE 1 – FINANCIAL REPORTING ENTITY

The Local Transportation Fund is a special revenue fund of the City of Arroyo Grande, and the financial statements of the fund are included in the basic financial statements of the City.

NOTE 2 – BASIS OF ACCOUNTING

The Local Transportation Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when the related fund liabilities are incurred.

NOTE 3 – TRANIT SERVICES PROVIDED BY THE SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY

The City of Arroyo Grande entered into a joint-powers agreement with the Cities of Grover Beach, Pismo Beach, Atascadero, Morro Bay, El Paso De Robles, San Luis Obispo, and the County of San Luis Obispo for the purposes of forming a joint-power agreement with full power and authority to own, operate and administer a countywide public transportation system. The City's allocation of the Local Transportation Fund is distributed by the County directly to the San Luis Obispo Regional Transit Authority and therefore, all of the accounting of this joint-powers agency is maintained by the San Luis Obispo Regional Transit Authority. Therefore, all aspects of internal controls, compliance with applicable laws and regulations, and accounting for the Local Transportation Fund are the responsibilities of the San Luis Obispo Regional Transit Authority. The Local Transportation Fund receives funding under Article 4(a), Section 99260(a).

NOTE 4 – INTERNAL ACCOUNTING CONTROL

As part of our audit, we made a study of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist in planning and performing the audit of the financial statements. No material weaknesses in the internal control structure were noted.

NOTE 5 – ALLOCATIONS FROM LOCAL TRANSPORTATION FUND

The City was allocated the following funds:

<u>Article</u>	<u>Sections</u>	<u>2011 Amount</u>	<u>2010 Amount</u>
4	99400(c)	\$ 7,000	\$ 7,000
4	99260(a)	<u>110,651</u>	<u>112,737</u>
Total Local Transportation Fund		<u>\$ 117,651</u>	<u>\$ 119,737</u>

NOTE 6 - FARE REVENUE RATIOS 2010-2011

	<u>Required Ratios</u>	<u>Current Fiscal Year Ratio</u>	<u>Finding</u>
Fare revenues	.10	-0-	Not applicable

The fare revenue ratio for the current fiscal year was computed as follows:

A. Fare revenues	\$ -
B. Operating costs, less depreciation, contribution of SLORTA and overhead	\$ 10,325
C. Fare revenue ratio [A / B]	-0-