



CITY OF CITRUS HEIGHTS

February 11, 2010

TO: Henry Tingle, City Manager

FROM: Stefani Daniell, Finance Director

SUBJECT: **Audited Financial Statements
Transportation Development Act Fund
Transit and Non-Transit Purposes**

Approved and Forwarded to
City Council

Stefani Daniell Fin.

APPROVED Atty.

Henry Tingle
Henry Tingle, City Manager

Summary and Recommendation

Staff recommends that the Council accepts and files the following City of Citrus Heights Audited Financial Statements for fiscal year ended June 30, 2009:

Transportation Development Act Fund – Transit Purposes
Transportation Development Act Fund – Non-Transit Purposes

Fiscal Impact

No fiscal impact.

Background and Analysis

The accounting firm of Macias, Gini & O'Connell, LLP was hired by the Sacramento Area Council of Governments (SACOG) to audit the transportation funds received by member agencies for the fiscal year ended June 30, 2009. They have determined that the City of Citrus Heights Transportation Fund financial statements present fairly, in all material respects, the financial position of the City's transportation funds. The statements are in conformity with generally accepted accounting principles.

Conclusion

The attached reports reflect the financial position of the City of Citrus Heights Transportation Funds at June 30, 2009.

- Attachment: (A) Citrus Heights Transportation Development Act Fund – Transit Purposes Audited Financial Statements
- (B) Citrus Heights Transportation Development Act Fund – Non-Transit Purposes Audited Financial Statements



MACIAS GINI & O'CONNELL LLP
 Certified Public Accountants & Management Consultants

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SAN MARCOS

SAN DIEGO

To the City Council
 City of Citrus Heights
 Citrus Heights, California

To the Board of Directors
 Sacramento Area Council of Governments
 Sacramento, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Transportation Development Act Fund (TDA Fund), for transit purposes, of the City of Citrus Heights, California (City), as of and for the fiscal year ended June 30, 2009, 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. The financial statements of the TDA Fund, for transit purposes, as of June 30, 2008 were audited by other auditors whose report dated December 9, 2008 expressed an unqualified opinion on those financial statements.

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 as it relates to the TDA Fund, for transit purposes. 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 provide a reasonable basis for our opinion.

As discussed in Note B, the financial statements present only the TDA Fund, for transit purposes, of the City and do not purport to, and do not, present fairly the financial position of the City of Citrus Heights, California as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund, for transit purposes, of the City of Citrus Heights, California, as of June 30, 2009, and the changes in its financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented Management's Discussion and Analysis which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

CITY OF CITRUS HEIGHTS
Transportation Development Act Fund
Transit Purposes
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash paid to suppliers for goods and services	\$ (3,088,164)	\$ (2,879,016)
Cash paid to employees for services	<u>(37,779)</u>	<u>(54,375)</u>
Net cash used in operating activities	<u>(3,125,943)</u>	<u>(2,933,391)</u>
Cash flows from noncapital financing activities:		
Operating grants and subsidies	5,977,922	446,941
Interfund services used (provided)	<u>(2,756,052)</u>	<u>2,482,496</u>
Net cash provided by noncapital financing activities	<u>3,221,870</u>	<u>2,929,437</u>
Cash flows from investing activities:		
Interest earnings	<u>6,860</u>	<u>651</u>
Net increase (decrease) in cash and cash equivalents	102,787	(3,303)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>3,303</u>
Cash and cash equivalents, end of year	<u>\$ 102,787</u>	<u>\$ -</u>

Accompanying notes are an integral part of these financial statements.

CITY OF CITRUS HEIGHTS
Transportation Development Act Fund
Transit Purposes
Status of Prior Year Finding and Recommendation
June 30, 2009

Internal Control Over Financial Reporting

Finding 2007/08-1

Criteria: Internal controls over financial reporting should be in place to ensure management has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Condition: A significant audit adjustment was proposed during our audit.

Effect: The financial statements were misstated.

Cause: Proposition 1B revenue was recorded that was not collectible, requiring an adjustment to reverse the amount recorded for financial reporting.

Recommendation: We recommend the City consider the collectability of significant receivables during the closing process in the future.

Management Response: The City will consider the collectability of receivables during the closing process in the future.

Status: The condition was not evident for the current year and is determined to be resolved. The City did not record Proposition 1B revenue in the current year.

**CITY OF CITRUS HEIGHTS
TRANSPORTATION DEVELOPMENT ACT FUND
NON-TRANSIT PURPOSES**

Independent Auditor's Reports
and Financial Statements

For the Fiscal Years Ended
June 30, 2009 and 2008

CITY OF CITRUS HEIGHTS
 Transportation Development Act Fund
 Non-Transit Purposes
 For the Fiscal Years Ended June 30, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Transportation Development Act Fund (TDA Fund), for non-transit purposes, of the City of Citrus Heights (City), California, as of and for the fiscal year ended June 30, 2009, 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. The financial statements of the TDA Fund, for non-transit purposes as of June 30, 2008 were audited by other auditors whose report dated December 9, 2008 expressed an unqualified opinion on those financial statements.

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 as it relates to the TDA Fund, for non-transit purposes. 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 opinion.

As discussed in Note B, the financial statements present only the TDA Fund, for non-transit purposes, of the City and do not purport to, and do not, present fairly the financial position of the City of Citrus Heights, California as of June 30, 2009 and 2008, and the changes in its financial position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund, for non-transit purposes, of the City of Citrus Heights, California, as of June 30, 2009, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

CITY OF CITRUS HEIGHTS
Transportation Development Act Fund
Non-Transit Purposes
Notes to the Financial Statements
For the Fiscal Years Ended June 30, 2009 and 2008

NOTE A – ORGANIZATION

The City of Citrus Heights (City) receives funds under the provisions of the Transportation Development Act (TDA) from the Sacramento County Local Transportation Fund (LTF) under Article 3, Section 99234 for pedestrian and bicycle facilities. These funds represent amounts set aside by the Sacramento Area Council of Governments, the regional transportation planning agency administering TDA funds, to be allocated for pedestrian and bicycle facilities within the jurisdictions of Sacramento County and represent up to 2% of the available funds countywide. The City's Transportation Development Act Fund (TDA Fund) is used to account for these TDA resources received by the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements of the TDA Fund have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity: The financial statements are intended to reflect the financial position and changes in financial position of the TDA Fund of the City and do not present fairly the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

Fund Accounting: The accounts of the City are organized on the basis of funds. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity.

The City utilizes the special revenue fund type to account for the activities of the TDA Fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. A special revenue fund is 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 special revenue funds. 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 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, which is generally 60 days. LTF revenues are recognized when all eligibility requirements imposed by the provider have been met. Expenditures are recorded when the related fund liability is incurred.

CITY OF CITRUS HEIGHTS
Transportation Development Act Fund
Non-Transit Purposes
Status of Prior Year Finding and Recommendation
June 30, 2009

Internal Control Over Financial Reporting

Finding 2007/08-1

Criteria: Internal controls over financial reporting should be in place to ensure management has the ability to initiate record, process and report financial data consistent with the assertions of management in the financial statements.

Condition: A significant audit adjustment was proposed during our audit.

Effect: The financial statements were misstated.

Cause: Transportation Development Act (TDA) revenue due from the Sacramento Area Council of Governments (SACOG) was not accrued at June 30, 2008.

Recommendation: We recommend the City reconcile the revenue recorded in the fund to the SACOG apportionment and accrue any unclaimed revenue at year end.

Management Response: The City will accrue any unclaimed TDA revenue in the future.

Status: The condition was not evident for the current year and is determined to be resolved. The City appropriately accrued all revenue that it was due from SACOG at year-end.

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