

**CITY OF ARROYO GRANDE  
AUDIT REPORT OF THE  
TRANSPORTATION FUND  
LOCAL TRANSPORTATION FUND  
ARTICLE 3 AND ARTICLE 8(a)  
AND STATE TRANSIT ASSISTANCE FUND  
JUNE 30, 2016 AND JUNE 30, 2015**

**CITY OF ARROYO GRANDE**

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June 30, 2016 and June 30, 2015

**Transportation Fund**

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Moss, Levy & Hartzheim LLP

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

City Council of the City of Arroyo Grande  
Arroyo Grande, California

### *Report on the Financial Statements*

We have audited the financial statements of the City of Arroyo Grande's Transportation Fund as of and for the fiscal years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Arroyo Grande's Transportation Fund as of June 30, 2016 and June 30, 2015, and the changes in financial position thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Transportation Fund and do not purport to, and do not, present fairly the financial position of the City of Arroyo Grande as of June 30, 2016 and June 30, 2015, and the changes in its financial position, for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Moss, Levy & Hartzheim LLP*

Santa Maria, California  
January 31, 2017

**CITY OF ARROYO GRANDE**  
**TRANSPORTATION FUND**  
**BALANCE SHEETS**

Sections 99400(a) and 99233.3 of the Public Utilities Code  
 June 30, 2016 and June 30, 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and investments	<u>\$ 4,084</u>	<u>\$ -</u>
Total assets	<u><u>\$ 4,084</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	<u>\$ 4,104</u>	<u>\$ -</u>
Total liabilities	<u>4,104</u>	<u></u>
Fund Balance:		
Unassigned	<u>(20)</u>	<u></u>
Total fund balance	<u>(20)</u>	<u></u>
Total liabilities and fund balance	<u><u>\$ 4,084</u></u>	<u><u>\$ -</u></u>

**CITY OF ARROYO GRANDE**

TRANSPORTATION FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

Sections 99400(a) and 99233.3 of the Public Utilities Code

For the Fiscal Years Ended June 30, 2016 and June 30, 2015

	2016		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES</b>			
Interest	\$ -	\$ 20	\$ 20
Intergovernmental	429,300	429,320	20
Total revenues	429,300	429,340	40
<b>EXPENDITURES</b>			
Transportation	20,000	17,618	2,382
Maintenance	220,400	211,742	8,658
Capital outlay	200,000	200,000	
Total expenditures	440,400	429,360	11,040
Revenues over (under) expenditures	\$ (11,100)	(20)	\$ (11,000)
Fund balance, beginning of fiscal year			
Fund balance, end of fiscal year		\$ (20)	

	2015		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES</b>			
Intergovernmental	\$ 453,994	\$ 453,994	\$ -
<b>EXPENDITURES</b>			
Maintenance	453,994	453,994	
Revenues over (under) expenditures	\$ -		\$ -
Fund balance, beginning of fiscal year			
Fund balance, end of fiscal year		\$ -	

**CITY OF ARROYO GRANDE  
TRANSPORTATION FUND  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and June 30, 2015

**NOTE 1 – FINANCIAL REPORTING ENTITY**

The 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 Transportation 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 allocations under Article 8, Section 99400(a) for the fiscal years ended June 30, 2016, and June 30, 2015, were \$415,982 and \$435,917, respectively.

The City of Arroyo Grande's allocations under Article 3, Section 99233.3 for the fiscal years ended June 30, 2016, and June 30, 2015, were \$13,338 and \$18,077, respectively.

**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.



**INDEPENDENT AUDITORS' REPORT ON  
TRANSPORTATION DEVELOPMENT ACT COMPLIANCE**

City Council of the City of Arroyo Grande  
Arroyo Grande, California

***Report on the Financial Statements***

We have audited the financial statements of the City of Arroyo Grande Transportation Fund's compliance with the types of compliance requirements described in the *Transportation Development Act Guidebook*, published by the State of California Department of Transportation applicable for the fiscal year ended June 30, 2016.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance with applicable statutes, rules and regulations of the Transportation Development Act (TDA), Section 99400(a) and 99233.3, the California Code of Regulations (CCR), and the allocation instructions and resolutions of San Luis Obispo Council of Governments as required by Section 6666 of the CCR. 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. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Transportation Development Act Guidebook*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state laws and regulations applicable to the City occurred. An audit includes 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.

***Opinion on Compliance with the Transportation Development Act***

In our opinion, the funds allocated to and received by the City of Arroyo Grande's Transportation Fund, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of the Transportation Development Act and the allocation instructions and resolutions of San Luis Obispo Council of Governments for the fiscal year ended June 30, 2016.

This report is intended solely for the information of the management, the City Council of the City of Arroyo Grande, the San Luis Obispo Council of Governments, 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, Levy & Hartzheim LLP*

Santa Maria, California  
January 31, 2017