

**CITY OF HUNTINGTON BEACH, CALIFORNIA**

**TRANSPORTATION DEVELOPMENT ACT FUNDS**

**Financial Statements and Supplemental Data**

**Year Ended September 30, 2011**

**CITY OF HUNTINGTON BEACH, CALIFORNIA**  
**TRANSPORTATION DEVELOPMENT ACT FUNDS**  
**Financial Statements**

**Year Ended September 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Orange County Transportation Authority  
Orange, California

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 4.5 Funds (Funds) of the City of Huntington Beach, California (City), as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these financial statements based on our audit. Prior year partial comparative information for Article 4.5 Funds have been derived from the TDA Funds financial statements of the City for the year ended September 30, 2010, which were audited by other auditors who, in their report dated December 28, 2010, expressed an unqualified opinion.

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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present the TDA Funds of the City only and do not purport to, and do not, present fairly the financial position of the City as of September 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the TDA Funds of the City as of September 30, 2011 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


As described in Note 1 to the financial statements, the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was adopted effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2011 on our consideration of the City's internal control over financial reporting for the TDA Funds, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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.

The information identified in the accompanying table of contents as Required Supplementary Information is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries with management regarding the methods of measurement and presentation of the required supplementary information; however, we did not audit the information and express no opinion on it.

The City has not presented the *Management's Discussion and Analysis* for the TDA Funds that the Governmental Accounting Standards Board (GASB) has determined necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the TDA Funds' basic financial statements. The accompanying schedule of allocations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

  
Laguna Hills, California  
December 14, 2011

**CITY OF HUNTINGTON BEACH, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**BALANCE SHEET  
SEPTEMBER 30, 2011  
(with Comparative Totals for September 30, 2010)**

	Article 4.5	
	2011	2010
<b>ASSETS</b>		
Cash and Investments	\$ -	\$ 150,343
Accounts Receivable	13,285	-
Total Assets	<u>\$ 13,285</u>	<u>\$ 150,343</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accrued Payroll	\$ -	\$ 5,857
Due to Other Funds	3,446	-
Deferred Revenue	-	134,647
Total Liabilities	<u>3,446</u>	<u>140,504</u>
Fund Balance		
Restricted	<u>9,839</u>	<u>9,839</u>
Total Liabilities and Fund Balance	<u>\$ 13,285</u>	<u>\$ 150,343</u>

See accompanying notes to financial statements.

**CITY OF HUNTINGTON BEACH, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEAR ENDED SEPTEMBER 30, 2011  
(with Comparative Totals for the Year Ended September 30, 2010)**

	Article 4.5	
	2011	2010
REVENUES		
TDA Allocation	\$ 186,786	\$ 168,079
City Match	65,140	74,825
Interest	(75)	(669)
Total Revenues	251,851	242,235
EXPENDITURES		
Current:		
TDA Expenditures	251,851	242,235
Total Expenditures	251,851	242,235
Excess (deficiency) of revenues over (under) expenditures	-	-
Fund Balance at Beginning of Year	9,839	9,839
Fund Balance at End of Year	\$ 9,839	\$ 9,839

See accompanying notes to financial statements.

**CITY OF HUNTINGTON BEACH, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

*NOTE 1 – GENERAL INFORMATION*

The financial statements are intended to reflect the financial position and results of operations of the City of Huntington Beach (City) Transportation Development Act (TDA) Article 4.5 Funds (Funds) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the years then ended in conformity with generally accepted accounting principles in the United States of America.

For TDA Article 4.5 Funds, the City has entered into a Cooperative Agreement (TDA 4.5 Agreement) with the Orange County Transportation Authority (OCTA) to provide transportation services to eligible individuals in accordance with Section 99275 of the California Public Utilities Code (Code). According to the Code, TDA funds may only be expended for community transit services, including services for the disabled who are unable to use conventional transit services. In accordance with the TDA 4.5 Agreement, the City is required to provide matching funds equal to 20% of the allocation amount. The City satisfied its required match for the fiscal year ended September 30, 2011.

*NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES*

The accounting policies of the TDA Funds of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

Fund Accounting

The Article 4.5 TDA Funds are accounted for in a separate account within the City's Senior Mobility Fund which is a special revenue fund.

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within the Senior Mobility Fund.

Special Revenue Funds of the City are used to account for the proceeds of revenue sources that are restricted or committed for specified purposes.

Measurement Focus and Basis of Accounting

The Special Revenue Fund of the City is accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred.

**CITY OF HUNTINGTON BEACH, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

*NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*

Cash and Investments

Cash and investments are pooled to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Funds based upon the average cash balance. The investment policies and the risks related to GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the TDA Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Data

Selected information from the prior fiscal year has been included in the accompanying financial statements in order to provide an understanding of changes in the TDA Funds financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's TDA 4.5 Fund financial statements for the year ended September 30, 2010, from which this selected financial data was derived.

Fund Balance

Fund Balance is the difference between the assets and liabilities reported in the TDA Funds Balance Sheet. Fund balance for the TDA Funds is classified as restricted, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which represent funds that are subject to restrictions externally imposed by grantors, contributors, or laws or regulations of other governments. The remaining restricted fund balance pertains to the City's Senior Mobility Fund.

GASB Pronouncements

During the fiscal year 2010-11, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the TDA Article 4.5 Funds. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. This statement did not have a significant impact on the TDA Funds financial statements.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HUNTINGTON BEACH, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2011**

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
TDA Allocation	\$ 186,147	\$ 186,147	\$ 186,786	\$ 639
City Match	68,018	68,018	65,140	(2,878)
Interest	-	-	(75)	(75)
Total Revenues	254,165	254,165	251,851	(2,314)
EXPENDITURES				
Current:				
TDA Expenditures	254,165	254,165	251,851	2,314
Total Expenditures	254,165	254,165	251,851	2,314
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund Balance at Beginning of Year	-	-	9,839	9,839
Fund Balance at End of Year	\$ -	\$ -	\$ 9,839	\$ 9,839

See accompanying note to required supplementary information.

**CITY OF HUNTINGTON BEACH, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2011**

*NOTE 1 – BUDGETARY DATA*

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.

## **SUPPLEMENTARY INFORMATION**

**CITY OF HUNTINGTON BEACH, CALIFORNIA  
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR  
YEAR ENDED SEPTEMBER 30, 2011**

<u>Project Description</u>	<u>Project Type</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at 9/30/2010</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unspent Allocations at 9/30/2011</u>	<u>Project Status</u>
Senior Transportation Program	Local	2009-10	\$ 177,719	\$ 134,647	\$ -	\$ 134,647	\$ -	Completed
Senior Transportation Program	Local	2010-11	52,139	-	52,139	52,139	-	Completed
Interest			-	-	(75)	(75)	-	
Totals			<u>\$ 229,858</u>	<u>\$ 134,647</u>	<u>\$ 52,064</u>	<u>\$ 186,711</u>	<u>\$ -</u>	



**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**

We have audited the financial statements of the Transportation Development Act (TDA) Article 4.5 Funds (TDA Funds) of the City of Huntington Beach, California (City), as of and for the year ended September 30, 2011, and have issued our report thereon dated December 14, 2011. Our report included an explanatory paragraph stating that the financial statements of the TDA Funds do not purport to, and do not, present fairly the financial position of the City as of September 30, 2011. In addition, our report refers to the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. 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

Management of the City is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting of the TDA Funds 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's TDA Funds financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 of the TDA Funds of the City that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Funds of the City are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Part 21 of the California Code of Regulations and the allocation instructions of the Orange County Transportation Authority, 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*, including the requirements of Section 6667 of Part 21 of the California Code of Regulations and the allocation instructions of the Orange County Transportation Authority.

This report is intended solely for the information of management of the City of Huntington Beach and the Orange County Transportation Authority and is not intended to be and should not be used by anyone other than these specified parties.



Laguna Hills, California  
December 14, 2011