

CITY OF EL SEGUNDO

Audit Report

GAS TAX FUND

July 1, 2004, through June 30, 2005



JOHN CHIANG
California State Controller

April 2007



JOHN CHIANG
California State Controller

April 6, 2007

Jim Walker
Accounting Manager
City of El Segundo
350 Main Street
El Segundo, CA 90245-0813

Dear Mr. Walker:

The State Controller's Office audited the City of El Segundo's Gas Tax Fund—highway users tax and Traffic Congestion Relief Fund (TCRF) allocations—for the period of July 1, 2004, through June 30, 2005.

The city accounted for and expended its Gas Tax Fund in compliance with Article XIX of the California Constitution and the *Streets and Highways Code*.

If you have any questions, please contact Paul R. Criss, Chief, Financial-Related Audits Bureau, at (916) 322-4941.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/jj:vb:ams

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Audit Report

Summary

The State Controller's Office (SCO) audited the City of El Segundo's Gas Tax Fund for the period of July 1, 2004, through June 30, 2005. We also audited the Traffic Congestion Relief Fund (TCRF) allocations recorded in the Gas Tax Fund for the period of July 1, 2000, through June 30, 2005. The last day of fieldwork was February 26, 2006.

Our audit disclosed that no adjustment to the Gas Tax Fund is required.

Background

The State apportions funds monthly from the highway users tax account in the transportation tax fund to cities and counties for the construction, maintenance, and operation of local streets and roads. The highway users taxes are derived from state taxes on the sale of motor vehicle fuels. In accordance with *Streets and Highways Code* Section 2101 and Article XIX of the California Constitution, a city must deposit all apportionments of highway users taxes in its Gas Tax Fund (also known as the Special Gas Tax Street Improvement Fund). A city must expend gas tax funds only for street-related purposes. We conducted our audit of the city's Gas Tax Fund under the authority of *Government Code* Section 12410.

Chapter 91, Statutes of 2000 (Assembly Bill 2928), as amended by Chapter 656, Statutes of 2000 (Senate Bill 1662), established a Traffic Congestion Relief Fund in the State Treasury for allocating funds quarterly to cities and counties for street or road maintenance, reconstruction, and storm damage repair. Cities must deposit funds received into the city account designated for the receipt of state funds allocated for transportation purposes. The city recorded the TCRF allocations in the Gas Tax Fund. We conducted our audit of the city's TCRF allocations under the authority of *Streets and Highways Code* Sections 2182 and 2182.1.

Objective, Scope, and Methodology

Our audit objective was to determine whether the city accounted for and expended the Gas Tax Fund in compliance with Article XIX of the California Constitution and the *Streets and Highways Code*. To meet the audit objective, we determined whether the city:

- Properly deposited highway users tax apportionments and other appropriate revenues in the Gas Tax Fund;
- Expended funds exclusively for authorized street-related purposes; and
- Made available unexpended funds for future expenditures.

We conducted our audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the city's financial statements. We limited our audit scope to planning and performing the audit procedures necessary to obtain reasonable

assurance that the city accounted for and expended the Gas Tax Fund in accordance with the requirements of the *Streets and Highways Code*. Accordingly, we examined transactions, on a test basis, to determine whether the city expended funds for street purposes. We considered the city's internal controls only to the extent necessary to plan the audit.

Conclusion

Our audit disclosed that the city accounted for and expended its Gas Tax Fund in compliance with Article XIX of the California Constitution and the *Streets and Highways Code* for the period of July 1, 2004, through June 30, 2005. Our audit also disclosed that the city accounted for and expended its Traffic Congestion Relief Fund allocations recorded in the Gas Tax Fund in compliance with Article XIX of the California Constitution and the *Streets and Highways Code* for the period of July 1, 2000, through June 30, 2005.

Follow-Up on Prior Audit Findings

Our prior audit report dated June 15, 1995, disclosed no findings.

Views of Responsible Official

We discussed the audit results with city representatives during an exit conference on February 22, 2006. Jim Walker, Accounting Manager, agreed with the audit results. Mr. Walker further agreed that a draft audit report was not necessary and that the audit report could be issued as final.

Restricted Use

This report is intended for the information and use of city management and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

**Schedule 1—
Reconciliation of Fund Balance
July 1, 2004, through June 30, 2005**

	Gas Tax Fund		
	Highway Users Tax Allocation ¹	TCRF Allocation ²	Totals
Beginning fund balance per city	\$ 163,655	\$ —	\$ 163,655
Revenues	319,768	—	319,768
Total funds available	483,423	—	483,423
Expenditures	(152,237)	—	(152,237)
Ending fund balance per city	331,186	—	331,186
Timing adjustment:			
Accrual of June 2005 highway users tax apportionment (Governmental Accounting Standards Board Statement No. 34)	30,890	—	30,890
SCO adjustment	—	—	—
Ending fund balance per audit	<u>\$ 362,076</u>	<u>\$ —</u>	<u>\$ 362,076</u>

¹ The city receives apportionments from the state highway users tax account, pursuant to *Streets and Highways Code* Sections 2105, 2106, 2107, and 2107.5. The basis of the apportionments for Sections 2105, 2106, and 2107 varies, but the money may be used for any street purpose. *Streets and Highways Code* Section 2107.5 apportionments are restricted to administration and engineering expenditures, except for cities with populations of fewer than 10,000 inhabitants. Those cities may use the funds for rights-of-way and for the construction of street systems.

² Chapter 91, Statutes of 2000 (Assembly Bill 2928), as amended by Chapter 656, Statutes of 2000 (Senate Bill 1662), established the State Traffic Congestion Relief Fund (TCRF), which allocates funds to cities and counties for street or road maintenance and reconstruction from FY 2000-01 through FY 2005-06.

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