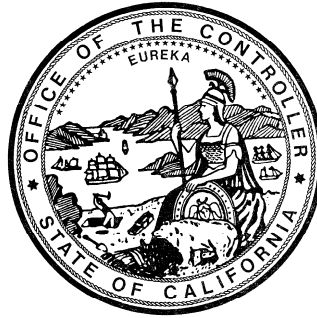


CITY OF TIBURON

Audit Report

GAS TAX FUND AND TRAFFIC CONGESTION RELIEF FUND

July 1, 2005, through June 30, 2006



JOHN CHIANG
California State Controller

June 2007



JOHN CHIANG
California State Controller

June 27, 2007

Heidi Bigall
Administrative Services Director
City of Tiburon
1505 Tiburon Boulevard
Tiburon, CA 94920

Dear Ms. Bigall:

The State Controller's Office audited the City of Tiburon's Gas Tax Fund for the period of July 1, 2005, through June 30, 2006. We also audited the Traffic Congestion Relief Fund (TCRF) for the period of July 1, 2000, through June 30, 2006.

The city accounted for and expended its Gas Tax Fund and TCRF recorded in the Traffic Congestion Relief Fund in compliance with Article XIX of the California Constitution and the *Streets and Highways Code*, except for our adjustments to the funds. Our audit disclosed that the city accounted for and expended its Gas Tax Fund in compliance with requirements, except that the city understated the fund balance by \$42,362 as of June 30, 2006. This understatement occurred primarily because the city recorded eligible TCRF expenditures to the Gas Tax Fund in error. Also, our audit disclosed that the city overstated the fund balance in the TCRF by \$53,403 as of June 30, 2006. This overstatement occurred because the city recorded \$42,362 of eligible TCRF expenditures to the Gas Tax Fund in error and erroneously recorded \$11,041 of TCRF allocations twice.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/jj:vb

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Audit Report

Summary

The State Controller's Office (SCO) audited the City of Tiburon's Gas Tax Fund for the period of July 1, 2005, through June 30, 2006. We also audited the Traffic Congestion Relief Fund (TCRF) for the period of July 1, 2000, through June 30, 2006. The last day of fieldwork was March 22, 2007.

Our audit disclosed that the city accounted for and expended its Gas Tax Fund in compliance with requirements, except that the city understated the fund balance by \$42,362 as of June 30, 2006. This understatement occurred primarily because the city recorded eligible TCRF expenditures to the Gas Tax Fund in error. Also, our audit disclosed that the city overstated the fund balance in the TCRF by \$53,403 as of June 30, 2006. This overstatement occurred because the city recorded \$42,362 of eligible TCRF expenditures to the Gas Tax Fund in error, and erroneously recorded \$11,041 of TCRF allocations twice.

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 its TCRF allocations in the Traffic Congestion Relief 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 and the TCRF allocations 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;
- Properly deposited TCRF allocations into an account designated for the receipt of State funds allocated for transportation purposes;

- 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 and the TCRF 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, 2005, through June 30, 2006, except as noted in Schedule 1 and described in the Findings and Recommendations section of this report. The findings required an adjustment of \$42,361 to the city's accounting records.

Our audit also disclosed that the city accounted for and expended its Traffic Congestion Relief Fund allocations 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, 2006, except as noted in Schedule 1 and described in the Findings and Recommendations section of this report. The findings require that the city make an adjusting entry of \$53,403 to the TCRF fund balance.

Views of Responsible Official

We discussed the audit results with city representatives during an exit conference on March 22, 2007. Heidi Bigall, Administrative Services Director, agreed with the audit results. Ms. Bigall 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, 2005, through June 30, 2006**

	<u>Gas Tax Fund¹</u>	<u>TCRF²</u>
Beginning fund balance per city	\$ 134,547	\$ 42,362
Revenues	<u>180,230</u>	<u>52,768</u>
Total funds available	314,777	95,130
Expenditures	<u>—</u>	<u>—</u>
Ending fund balance per city	<u>314,777</u>	<u>95,130</u>
Timing adjustment:		
Accrual of June 2006 highway users tax apportionment (Governmental Accounting Standards Board Statement No. 34)	<u>16,847</u>	<u>—</u>
SCO adjustments: ³		
Finding 1—Expenditure recording error	42,362	(42,362)
Finding 2—TCRF revenue recorded twice	<u>—</u>	<u>(11,041)</u>
Total SCO adjustments	<u>42,362</u>	<u>(53,403)</u>
Ending fund balance per audit	<u>\$ 373,986</u>	<u>\$ 41,727</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) allocations, which allocates funds to cities and counties for street or road maintenance and reconstruction.

³ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Expenditure recording error

During fiscal year (FY) 2002-03, the city erroneously recorded \$42,362 of eligible Traffic Congestion Relief Fund (TCRF) expenditures to the Gas Tax Fund. These expenditures were related to the TCRF allocations received during FY 2000-01 through FY 2002-03. As a result of this recording error, the city understated the Gas Tax Fund.

Recommendation

The City of Tiburon should reimburse the Gas Tax Fund in the amount of \$42,362 for eligible street expenditures erroneously recorded. These street related expenditures should have been recorded to the Traffic Congestion Relief Fund. Additionally, the city should ensure the proper matching of revenues to expenditures.

City's Response

The city concurred with the finding and reimbursed the Gas Tax Fund \$42,362 per journal entry #3326 dated April 18, 2007.

FINDING 2— TCRF revenue recorded twice

In FY 2005-06 the city erroneously recorded TCRF allocations of \$11,041 twice.

Streets and Highways Code, Section 2182.1, states that TCRF allocations received be deposited into an account designated for the receipt of state funds allocated for transportation purposes.

By posting the revenue twice, the city's TCRF fund balance was overstated at the end of the audit period.

Recommendation

The city should issue a correcting journal entry for \$11,041 to decrease the TCRF fund balance.

City's Response

The city agreed with our finding and prepared journal entry #3325 to correct the error.

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