

**CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED JUNE 30, 2012**

**CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

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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 3 Funds (Funds) of the City of San Juan Capistrano, California (City), as of and for the year ended June 30, 2012, 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.

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 June 30, 2012, 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 June 30, 2012 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2012 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.

Management has omitted the *Management's Discussion and Analysis* for the TDA Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

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 budgetary comparison schedule and schedule of allocations are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying budgetary comparison schedule and schedule of allocations are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Vavrinch, Train, Day & Co., LLP

Laguna Hills, California
December 3, 2012

**CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**BALANCE SHEET
JUNE 30, 2012**

	<u>Article 3</u> <u>2012</u>
ASSETS	
Cash and Investments	\$ -
Total Assets	<u>\$ -</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	\$ -
Total Liabilities	<u>-</u>
Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ -</u>

See accompanying notes to financial statements.

**CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2012**

	<u>Article 3</u>
	<u>2012</u>
REVENUES	
TDA Allocation	<u>\$ 241,500</u>
Total Revenues	<u>241,500</u>
EXPENDITURES	
Current:	
TDA Expenditures	<u>507</u>
Total Expenditures	<u>507</u>
Excess (deficiency) of revenues over (under) expenditures	240,993
OTHER FINANCING SOURCES (USES)	
Transfers to the City of San Juan Capistrano (Note 3)	<u>(240,993)</u>
Fund Balance at Beginning of Year	<u>-</u>
Fund Balance at End of Year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – GENERAL INFORMATION

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 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.

The City entered into a Cooperative Agreement (Agreement) with OCTA to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, Article 3 funds may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails and bicycle safety education programs. TDA Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA projects may be stand-alone projects, such as projects that serve the needs of commuting bicyclists, including, but not limited to, new trails serving major transportation corridors, secure bicycle parking at employment centers, park and ride lots and transit terminals where other funds are available. TDA projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians.

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to OCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, OCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from OCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 26% of the project costs. The City satisfied its required match in the prior fiscal year (2010-11).

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 TDA Funds are accounted for as a separate capital improvement project within the City's Capital Projects Fund, which is a Capital Projects 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 its Capital Projects Fund.

Capital Projects Funds are used to account for the proceeds of revenue sources that are restricted, committed, or assigned for capital projects.

**CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The Capital Projects Funds of the City are 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.

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 Governmental Auditing Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the 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.

NOTE 3 – TRANSFER TO THE CITY OF SAN JUAN CAPISTRANO

Transfers to the City of San Juan Capistrano of \$240,993 (TDA allocation less the current year costs of \$507) represent the OCTA reimbursement for project costs incurred and reported by the City in fiscal year 2010-11. The final portion of the project expenditures were incurred and reported in the previous year with minimal expenditures incurred in the current year. The actual project cost to date totaled \$393,646 (including the current year expenditures of \$507), and total reimbursements by OCTA to the City for this project to date were \$241,500.

SUPPLEMENTARY INFORMATION

**CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
TDA Allocation	\$ -	\$ -	\$ 241,500	\$ 241,500
Total Revenues	-	-	241,500	241,500
EXPENDITURES				
Current:				
TDA Expenditures	-	2,000	507	1,493
Total Expenditures	-	2,000	507	1,493
Excess (deficiency) of revenues over (under) expenditures	-	(2,000)	240,993	242,993
OTHER FINANCING SOURCES (USES)				
Transfers to the City of San Juan Capistrano	-	-	(240,993)	(240,993)
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ (2,000)	\$ -	\$ 2,000

**CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTE TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012**

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.

**CITY OF SAN JUAN CAPISTRANO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
YEAR ENDED JUNE 30, 2012**

<u>Project Description</u>	<u>Project Type</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at 06/30/2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unspent Allocations at 06/30/2012</u>	<u>Project Status</u>
Bicycle and Pedestrian Facilities Program	Local	2011-12	\$ 241,500	\$ -	\$ 241,500	\$ 241,500	\$ -	Completed
Totals			<u>\$ 241,500</u>	<u>\$ -</u>	<u>\$ 241,500</u>	<u>\$ 241,500</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 3 Funds (Funds) of the City of San Juan Capistrano, California (City), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 2012. 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 June 30, 2012. Our report also included an explanatory paragraph regarding the TDA Funds' omission of management's discussion and analysis which, although not part of the basic financial statements, is required by Governmental Accounting Standard Board. 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 previously.

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 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the Orange County Transportation Authority (OCTA), 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 6666 of Part 21 of the California Code of Regulations and the allocation instructions of OCTA.

This report is intended solely for the information of management of the City of San Juan Capistrano and OCTA and is not intended to be and should not be used by anyone other than these specified parties.



Laguna Hills, California
December 3, 2012