

# **CITY OF CALIMESA**

Audit Report

## **SPECIAL GAS TAX STREET IMPROVEMENT FUND**

*July 1, 2006, through June 30, 2013*

## **TRAFFIC CONGESTION RELIEF FUND**

*July 1, 2006, through June 30, 2011*

## **PROPOSITION 1B FUND**

*July 1, 2007, through June 30, 2013*



**BETTY T. YEE**  
California State Controller

April 2015



**BETTY T. YEE**  
California State Controller

April 7, 2015

The Honorable William Davis  
Mayor of the City of Calimesa  
908 Park Avenue  
Calimesa, CA 92320

Dear Mayor Davis:

The State Controller's Office (SCO) audited the City of Calimesa's Special Gas Tax Street Improvement Fund for the period of July 1, 2006, through June 30, 2013. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2006, through June 30, 2011, and the Proposition 1B Fund for the period of July 1, 2007, through June 30, 2013.

Our audit found that the city accounted for and expended its Special Gas Tax Street Improvement Fund, Traffic Congestion Relief Fund, and Proposition 1B Fund in compliance with requirements.

If you have any questions, please contact Mike Spalj, Chief, Local Government Audits Bureau, by telephone at (916) 324-6984.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

cc: Bonnie Johnson, Assistant City Manager/Finance Director  
City Of Calimesa

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the City of Calimesa's Special Gas Tax Street Improvement Fund for the period of July 1, 2006, through June 30, 2013. We also audited the Traffic Congestion Relief Fund for the period of July 1, 2006, through June 30, 2011, and the Proposition 1B Fund for the period of July 1, 2007, through June 30, 2013.

Our audit found that the city accounted for and expended its Special Gas Tax Street Improvement Fund, Traffic Congestion Relief Fund, and Proposition 1B Fund in compliance with requirements.

## 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 derive from state taxes on the sale of motor vehicle fuels. In accordance with Article XIX of the California Constitution and Streets and Highways Code section 2101, a city must deposit all apportionments of highway users taxes in its 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 Special Gas Tax Street Improvement Fund under the authority of Government Code section 12410.

Government Code section 14556.5 created 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 Revenue and Taxation Code section 7104.

Senate Bill 1266, Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, was introduced as Proposition 1B and approved by voters on November 7, 2006, for a variety of transportation priorities including the maintenance and improvement of local transportation facilities. Proposition 1B funds transferred to cities and counties shall be deposited into an account that is designated for the receipt of State funds allocated for streets and roads. The city recorded its Proposition 1B allocations in the Proposition 1B Fund. A city also is required to expend its allocations within four years following the end of

the fiscal year which the allocation was made and expend the money in compliance with Government Code section 8879.23. We conducted our audit of the city's Proposition 1B allocations under the authority of Government Code section 12410.

## **Objective, Scope, and Methodology**

Our audit objective was to determine whether the city accounted for and expended the Special Gas Tax Street Improvement Fund, Traffic Congestion Relief Fund, and Proposition 1B Fund in compliance with Article XIX of the California Constitution, the Streets and Highways Code, Revenue and Taxation Code section 7104, and Government Code section 8879.23. To meet the audit objective, we determined whether the city:

- Properly deposited highway users tax apportionments and other appropriate revenues in the Special Gas Tax Street Improvement Fund;
- Properly deposited TCRF allocations into an account designated for the receipt of state funds allocated for transportation purposes;
- Properly deposited Proposition 1B apportionments 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 Special Gas Tax Street Improvement Fund, Traffic Congestion Relief Fund, and Proposition 1B Fund in accordance with the requirements of the Streets and Highways Code, Revenue and Taxation Code section 7104, and Government Code section 8879.23. 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 found that the City of Calimesa accounted for and expended its Special Gas Tax Street Improvement Fund in compliance with Article XIX of the California Constitution and the Streets and Highways Code for the period of July 1, 2006, through June 30, 2013.

Our audit also found that the city accounted for and expended its Traffic Congestion Relief Fund in compliance with Article XIX of the California Constitution, the Streets and Highways Code, and Revenue and Taxation Code section 7104 for the period of July 1, 2006, through June 30, 2011.

**Follow-Up on Prior Audit Findings**

The city satisfactorily resolved the findings noted in our prior audit report, issued on September 26, 2007.

**Views of Responsible Officials**

We issued a draft audit report on September 2, 2014. Bonnie Johnson, Assistant City Manager/Finance Director responded by letter dated September 11, 2014 disagreeing with the audit results. The city's response is included in this final audit report as an attachment.

**Restricted Use**

This report is intended for the information and use of the City of Calimesa's 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, CPA  
Chief, Division of Audits

April 7, 2015

**Schedule 1—  
Reconciliation of Fund Balance  
July 1, 2012, through June 30, 2013**

	Special Gas Tax Street Improvement Fund <u>Highway Users Tax Allocations</u> <sup>1</sup>
Beginning fund balance per city	\$ 97,070
Revenues	<u>179,816</u>
Total funds available	276,886
Expenditures	<u>(247,898)</u>
Ending fund balance per city	<u>28,988</u>
Timing adjustment:	
Accrual of June 2013 highway users tax apportionment (Governmental Accounting Standards Board Statement No. 34)	<u>17,054</u>
Ending fund balance per audit	<u>\$ 46,042</u>

<sup>1</sup> The city receives apportionments from the State highway users tax account, pursuant to Streets and Highways Code sections 2103, 2105, 2106, 2107, and 2107.5. The basis of the apportionments varies, but the money may be used for any street purpose. Streets and Highways Code section 2107.5 restricts apportionments 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. The audit period was July 1, 2006, through June 30, 2013; however, this schedule includes only the period of July 1, 2012, through June 30, 2013.

# Finding and Recommendation

## **FINDING 1— Unexpended TCRF allocations**

During the audit, the State Controller's Office (SCO) found that the City of Calimesa had not remitted \$92,110 to the SCO as requested in our prior audit report dated September 26, 2007. The city did not spend the TCRF allocations from fiscal year (FY) 2000-01 through FY 2002-03, totaling \$92,110, within the timeframe dictated by the Streets and Highways Code section 2182.1 (G). Allocations made under this section must be expended not later than the end of the fiscal year following the fiscal year in which the allocation was made.

### Recommendation

Although the Traffic Congestion Relief Program ended June 30, 2011, the city must return \$92,110 of unexpended Traffic Congestion Relief Fund allocations to the SCO as identified in our audit report dated September 26, 2007. The funds should be returned to:

Attn: Rhodora Bravo  
State Controller's Office  
Division of Accounting and Reporting  
P.O. Box 942850  
Sacramento, CA 94250

### City's Response

The current finding indicates that the City of Calimesa overstated fund balance by \$92,110 by not satisfactorily resolving a previous finding in the report issued September 26, 2007. The prior finding indicated that the City did not spend in a timely manner TCRF allocations received from 2000-01 to 2002-03. However, as a point of clarification, the audit report indicated the City did, in fact, make certain expenditures during those years, but the expenditures were disallowed by the SCO. As a result, the City was found to have excess funds that were not spent timely.

The City has gone back through its records in an effort to identify expenditures during that time period that do meet the TCRF requirements. The City was able to identify in excess of \$625,000 in expenditures that meet the requirements. A Summary of the expenditures by fiscal year, as well as all supporting detailed invoices, are attached for your review. The summary and related documentation clearly indicated that the City did have eligible expenditures during the time period in question. Therefore, this information should eliminate the need for the audit finding.

### SCO's Comment

After reviewing the city's response to our draft audit report and additional documentation provided by the city, we concluded that the city did spend TCRF allocations received for the fiscal years 2000-01 through 2002-03 within the timeframe dictated by the Streets and Highways Code section 2182.1(G). As a consequence the finding is withdrawn.

**Attachment—  
City’s Response to  
Draft Audit Report**

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## City of Calimesa

September 11, 2014

Steven Mar, Chief  
Local Governments Audit Bureau  
State Controller's Office (SCO)  
Division of Audits  
3301 C Street, Suite 700  
Sacramento, Ca. 95816

Re: City of Calimesa Gas Tax, Traffic Congestion Relief Fund (TCRF) and Prop 1B  
Audit for Fiscal Years 2006-07 to 2012-13

This letter is in response to the Draft Audit Finding contained in the Audit Report received by the City of Calimesa on September 10, 2014.

The current finding indicates that the City of Calimesa overstated fund balance by \$92,110 by not satisfactorily resolving a previous finding in the report issued September 26, 2007. The prior finding indicated that the City did not spend in a timely manner TCRF allocations received from 2000-01 to 2002-03. However, as a point of clarification, the audit report indicated that City did, in fact, make certain expenditures during those years, but the expenditures were disallowed by the SCO. As a result, the City was found to have excess funds that were not spent timely.

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Thank you for the opportunity to present information regarding the audit finding. I look forward to hearing from you and resolving this issue.

If you should have any questions, please contact me at (909) 798-9501, ext. 231.

  
Bonnie Johnson  
Asst. City Manager/Finance Director

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**