

**CITY OF HALF MOON BAY
PROJECT 07BFP16**

**INDEPENDENT AUDITOR'S
REPORTS AND SCHEDULE OF
EXPENDITURES OF TRANSPORTATION
FUND FOR CLEAN AIR PROGRAM
REGIONAL FUND PROJECTS**

PROJECT PERIOD ENDED JUNE 30, 2011

CITY OF HALF MOON BAY

TRANSPORTATION FUND FOR CLEAN AIR PROGRAM REGIONAL FUND

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Gilbert Associates, Inc.
CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

City Council
City of Half Moon Bay
Half Moon Bay, California

Board of Directors
Bay Area Air Quality Management District
San Francisco, California

We have audited the accompanying Schedule of Expenditures of Projects (Schedule) of the City of Half Moon Bay (City) Transportation Fund for Clean Air (TFCA) Program Regional Fund Projects for the project period ended June 30, 2011. This Schedule is the responsibility of the City's management. Our responsibility is to express an opinion on this Schedule 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 Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule was prepared to present expenditures of the City's TFCA funding as described in Note 1 and is not intended to be a complete presentation of the City's financial position or changes in financial position.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of the projects of the City's TFCA Program for the project period ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2012, on our consideration of the City's internal control over financial reporting pertaining to the City's TFCA Program and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

July 25, 2012

CITY OF HALF MOON BAY

TRANSPORTATION FUND FOR CLEAN AIR PROGRAM REGIONAL FUND

**SCHEDULE OF EXPENDITURES OF PROJECTS
FOR THE PROJECT PERIOD ENDED JUNE 30, 2011**

<u>Project Description</u>	<u>TFCA Project Number</u>	<u>TFCA Project Allocation</u>	<u>Final Project Expenditures through 6/30/11</u>
City of Half Moon Bay			
Highway 1 Trail Project Phase 3	07BFP16	<u>\$ 36,800</u>	<u>\$ 34,785</u>

CITY OF HALF MOON BAY

TRANSPORTATION FUND FOR CLEAN AIR PROGRAM REGIONAL FUND

NOTES TO THE SCHEDULE OF EXPENDITURES OF PROJECTS FOR THE PROJECT PERIOD ENDED JUNE 30, 2011

1. PROGRAM DESCRIPTION

Health and Safety Code Sections 44223 and 44225 authorize a surcharge on the motor vehicle registration fee (surcharge) to be used by the Bay Area Air Quality Management District (Air District) and local governments specifically for programs to reduce air pollution from motor vehicles. The Department of Motor Vehicles collects the surcharge and allocates the amounts to the Air District. The Air District administers these funds through the Transportation Fund for Clean Air (TFCA) Program. Under the TFCA Program, money is allocated to two funds: (1) 60% is placed in the Regional Fund and allocated to agencies on a competitive basis by the Air District and (2) 40% is placed in the Program Managers Fund and allocated to designated agencies. Allowable projects under Health and Safety Code Section 44241 include the following:

- Ridesharing program
- Purchase or lease of clean fuel school and transit buses
- Feeder or shuttle bus service to rail and ferry stations and airports
- Arterial traffic management
- Demonstrations in congestion pricing of highways, bridges, and public transit
- Rail bus integration and regional transit information systems
- Low emission vehicle projects
- Bicycle facility improvement projects
- Physical improvements that support "Smart Growth" projects

Relationship to the City of Half Moon Bay's Basic Financial Statements

The accompanying Schedule of Expenditures of Projects (Schedule) represents only the TFCA Program Regional Funds allocated to the City of Half Moon Bay (City) for certain projects and is not intended to present fairly the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

2. PROJECTS

The project in the Schedule is one of many projects funded through the Regional Fund, and represents projects completed between July 1, 2009, and June 30, 2011. The Air District considers a project to be completed when the Air District accepts the final report from the project sponsor. Projects may have started several years earlier.

3. BASIS OF ACCOUNTING

The TFCA Program funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, expenditures are recorded in the accounting period in which the liability is incurred. Expenditures as noted in the Schedule represent only the amount funded by the Air District. Expenditures of matching and other funding sources are not included on the Schedule.



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CPAs and Advisors

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE SCHEDULE OF EXPENDITURES OF PROJECTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND
REQUIREMENTS OF SECTION 44241 OF THE CALIFORNIA HEALTH AND
SAFETY CODE**

**City Council
City of Half Moon Bay
Half Moon Bay, California**

**Board of Directors
Bay Area Air Quality Management District
San Francisco, California**

We have audited the Schedule of Expenditures of Projects (Schedule) of the City of Half Moon Bay (City) Transportation Fund for Clean Air (TFCA) Program Regional Fund Projects for the project period ended June 30, 2011, and have issued our report thereon dated July 25, 2012. 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 effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting of the Schedule as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting of the Schedule. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting of the TFCA Program.

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 Schedule 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 Schedule that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 44241 of the California Health and Safety Code, noncompliance with which could have a direct and material effect on the determination of Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit of the Schedule, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings.

The City's response to the compliance finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's Council and management, and the Bay Area Air Quality Management District's Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT ASSOCIATES, INC.
Sacramento, California

July 25, 2012

CITY OF HALF MOON BAY

TRANSPORTATION FUND FOR CLEAN AIR PROGRAM REGIONAL FUND

SCHEDULE OF FINDINGS FOR THE PROJECT PERIOD ENDED JUNE 30, 2011

COMPLIANCE FINDING

Finding 2011-1:

According to the funding agreement between the Air District and the City, the City was required to submit quarterly reports starting April 14, 2008, and thereafter, until the project was completed, and a final report on October 31, 2009, to the Air District.

During our testing of the City's compliance with reporting requirements, we noted that the quarterly report due on October 15, 2009, was not submitted until December 31, 2009. Additionally, we noted that three quarterly reports were submitted early, therefore not covering the full calendar quarters as follows:

<u>Required Date To be Filed</u>	<u>Actual Date Filed</u>	<u>Calendar Quarter End Date</u>
April 15, 2008	March 18, 2008	March 31, 2008
October 15, 2008	September 16, 2008	September 30, 2008
January 15, 2009	December 12, 2008	December 31, 2008

On November 24, 2009, an amendment to the funding agreement was issued, parts of which extended the project schedule and changed the reporting requirements from quarterly to semi-annual reports. Under this amendment, semi-annual reports were required to be submitted to the Air District every April 15 and October 15, until the final report due date of December 31, 2010. A second amendment to the funding agreement was issued on January 12, 2011, which further extended the final report due date to March 31, 2011.

During our testing of the City's compliance with these amended reporting requirements, we noted that the City continued to submit quarterly reports, rather than semi-annual reports. We noted that the City did not submit a quarterly report for the calendar quarter ending June 30, 2010, to the Air District, and the report for the calendar quarter ending September 30, 2010, was not submitted until December 31, 2010, thus the project activity for the semi-annual period April 1 – September 30, 2010, was not properly reported to the Air District by the due date of October 15, 2010.

All other reporting requirements not listed above, including timely submittal of the final report, appeared to have been met by the City.

Management Response:

The reports above that are missing and filed late were due to an oversight on management's part.