

CITY OF EL PASO DE ROBLES
TRANSPORTATION DEVELOPMENT ACT FUNDS
FINANCIAL STATEMENTS
June 30, 2010 and 2009

CITY OF EL PASO DE ROBLES
TRANSPORTATION DEVELOPMENT ACT FUNDS
TABLE OF CONTENTS
June 30, 2010 and 2009

Local Transportation Fund

Independent Auditors' Report	1
Balance Sheets	2
Statements of Revenues and Expenses	3
Statements of Changes in Retained Earnings	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Schedule of Audit Findings	9

Local Transportation Fund - Non-Transit

Independent Auditors' Report	11
Balance Sheets	12
Statements of Revenues, Expenditures, and Changes in Fund Balance	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual for the Fiscal Year Ended June 30, 2010	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual for the Fiscal Year Ended June 30, 2009	15
Notes to Financial Statements	16

CITY OF EL PASO DE ROBLES
REPORT AND FINANCIAL STATEMENTS OF THE
LOCAL TRANSPORTATION FUND
June 30, 2010 and 2009



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

802 EAST MAIN
SANTA MARIA, CA 93454
TEL: 805.925.2579
FAX: 805.925.2147
www.mlhcpas.com

INDEPENDENT AUDITORS' REPORT

San Luis Obispo Council
of Governments
San Luis Obispo, California

We have audited the financial statements of the Local Transportation Fund of the City of El Paso De Robles as of and for the fiscal years ended June 30, 2010 and June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management. 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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Fund of the City of El Paso De Robles as of June 30, 2010 and June 30, 2009, and the results of its operations and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was further made for purposes of determining compliance with the Transportation Development Act Section 99400 (a), the California Administrative Code, and the rules and regulations of the San Luis Obispo Council of Governments. In our audit, we performed, to the extent applicable, the tasks contained in Section 6667 of the California Administrative Code.

In our opinion, the funds allocated and received by the Local Transportation Fund of the City of El Paso De Robles were expended and accounted for in conformance with the applicable laws, rules, and regulations of the Transportation Development Act, the California Administrative Code, and the allocation instructions of the San Luis Obispo Council of Governments, except for Finding 2010-1 as reported in the Schedule of Audit Findings.

Also as part of our audit, we performed tests of compliance to determine whether certain State bond funds were received and expended in accordance with the applicable bond act and State program requirements, pursuant to SB 88 Chapter 181, Article 5. Specifically, we verified receipt of funds from the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA), and the allocation of interest earned on the unexpended balance. PTMISEA funds were received for the purpose of construction of restrooms for transit services. We verified appropriate expenditures of PTMISEA funds and interest earned as of June 30, 2010.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

January 21, 2011

CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND
BALANCE SHEETS
June 30, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and cash equivalents	\$ 957	\$ 255,353
Receivables:		
Intergovernmental receivables	<u>426,845</u>	<u>130,226</u>
Total current assets	<u>427,802</u>	<u>385,579</u>
Capital Assets:		
Property and equipment	1,211,894	1,133,755
Less related accumulated depreciation	<u>(669,435)</u>	<u>(541,694)</u>
Net capital assets	<u>542,459</u>	<u>592,061</u>
Total assets	<u>\$ 970,261</u>	<u>\$ 977,640</u>

LIABILITIES AND FUND EQUITY

Current Liabilities:		
Accounts payable	\$ 80,646	\$ 78,794
Accrued payroll and benefits	<u>6,306</u>	<u>4,875</u>
Total current liabilities	<u>86,952</u>	<u>83,669</u>
Long-Term Liabilities:		
Compensated absences	<u>1,720</u>	<u>1,500</u>
Total liabilities	<u>88,672</u>	<u>85,169</u>
Fund Equity:		
Retained earnings:		
Unreserved	<u>881,589</u>	<u>892,471</u>
Total fund equity	<u>881,589</u>	<u>892,471</u>
Total liabilities and fund equity	<u>\$ 970,261</u>	<u>\$ 977,640</u>

See accompanying notes to financial statements

CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND
STATEMENTS OF REVENUES AND EXPENSES
For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues:		
Fares and other fees	\$ 154,382	\$ 149,782
Total operating revenues	<u>154,382</u>	<u>149,782</u>
Operating Expenses:		
Purchased transportation services:		
Contribution to JPAs	247,330	241,255
Paso Express Dial-A-Ride and Fixed Routes	608,035	547,397
Depreciation	137,741	121,600
Fuel, lubricant, and repairs	307,147	367,163
Operating supplies and services	23,481	35,979
Administration:		
Utilities and communications	17,683	16,267
Salaries and benefits	116,168	118,169
Total operating expenses	<u>1,457,585</u>	<u>1,447,830</u>
Operating loss	<u>(1,303,203)</u>	<u>(1,298,048)</u>
Non-Operating Revenues (Expenses):		
Local Transportation Fund and State Transit Assistance Fund	823,853	922,939
Interest revenue	249	3,599
Federal operating assistance grant	359,770	
Total non-operating revenues (expenses)	<u>1,183,872</u>	<u>926,538</u>
Net loss	<u>\$ (119,331)</u>	<u>\$ (371,510)</u>

See accompanying notes to financial statements

CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND
STATEMENTS OF CHANGES IN RETAINED EARNINGS
For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Retained earnings, July 1	\$ 892,471	\$ 1,263,981
Prior period adjustment	<u>108,449</u>	<u> </u>
Retained earnings, July 1, restated	1,000,920	1,263,981
Net loss	<u>(119,331)</u>	<u>(371,510)</u>
Retained earnings, June 30	<u>\$ 881,589</u>	<u>\$ 892,471</u>

See accompanying notes to financial statements

CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating loss	\$ (1,303,203)	\$ (1,298,048)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Add depreciation	137,741	121,600
Increase (Decrease) in Operating Liabilities:		
Accounts payable	1,852	(10,978)
Accrued payroll and benefits	1,431	255
Compensated absences	<u>220</u>	<u>(370)</u>
Net cash used by operating activities	<u>(1,161,959)</u>	<u>(1,187,541)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	<u>(88,139)</u>	<u>(140,113)</u>
Net cash used by capital and related financing activities	<u>(88,139)</u>	<u>(140,113)</u>
Cash Flows from Non-Capital Financing Activities:		
Operating grants received	<u>995,453</u>	<u>1,282,118</u>
Net cash provided by non-capital financing activities	<u>995,453</u>	<u>1,282,118</u>
Cash Flows From Investing Activities:		
Interest	<u>249</u>	<u>3,599</u>
Net cash provided by investing activities	<u>249</u>	<u>3,599</u>
Net decrease in cash and cash equivalents	(254,396)	(41,937)
Cash and cash equivalents, July 1	<u>255,353</u>	<u>297,290</u>
Cash and cash equivalents, June 30	<u>\$ 957</u>	<u>\$ 255,353</u>

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Local Transportation Fund is an enterprise fund of the City of El Paso De Robles and the financial statements of the fund are included in the basic financial statements of the City.

Basis of Accounting

The Local Transportation Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized regardless of the timing of related cash flows.

Amounts Due from Other Governments

Generally, amounts due from other governments are recorded as revenues when received. However, when the expenses of funds are the prime factor for determining eligibility for grants, revenue is accrued when the expenses have been made on an approved grant.

Property and Equipment

Property and equipment are valued at cost and are depreciated over their estimated useful lives ranging from three to ten years under the straight-line method of depreciation.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Local Transportation Fund considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

NOTE 2 - TRANSIT SERVICES PROVIDED

The City of El Paso De Robles contracted with a private service provider to manage and operate on Monday through Sunday demand-response and fixed route transit systems in the City.

The City is a member of the San Luis Obispo Regional Transit Authority. The Regional Transit Authority is a joint powers agency comprised of the City of San Luis Obispo, the City of Morro Bay, the City of Atascadero, the City of Arroyo Grande, the City of El Paso de Robles, the City of Grover Beach, the City of Pismo Beach, and the County of San Luis Obispo. The Regional Transit Authority operates a fixed route public transportation system linking San Luis Obispo to the outlying communities of Morro Bay, Los Osos, Arroyo Grande, El Paso de Robles, Grover Beach, Pismo Beach, and Atascadero, along with Cuesta College and the California Mens' Colony. The Regional Transit Authority also owns, operates and administers a county-wide public transportation system for the handicapped. Vehicle operations and maintenance are provided under contract by a private transportation company or by the County of San Luis Obispo. Non-vehicle maintenance and administration are provided by the County of San Luis Obispo staff, whose salary expense is paid by the Regional Transit Authority.

CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NOTE 3 - CHANGES IN PROPERTY AND EQUIPMENT

Summaries of changes in property and equipment are as follows:

<u>2010</u>	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Vehicles	\$ 1,126,460	\$ 88,139	\$ 10,000	\$ 1,204,599
Office and radio Equipment	<u>7,295</u>	<u> </u>	<u> </u>	<u>7,295</u>
	<u>\$ 1,133,755</u>	<u>\$ 88,139</u>	<u>\$ 10,000</u>	<u>\$ 1,211,894</u>
<u>2009</u>	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Vehicles	\$ 991,541	\$ 140,113	\$ 5,194	\$ 1,126,460
Office and radio Equipment	<u>7,295</u>	<u> </u>	<u> </u>	<u>7,295</u>
	<u>\$ 998,836</u>	<u>\$ 140,113</u>	<u>\$ 5,194</u>	<u>\$ 1,133,755</u>

NOTE 4 - ALLOCATIONS FROM LOCAL TRANSPORTATION AND STATE TRANSIT ASSISTANCE FUNDS

The City was allocated the following funds:

<u>Article</u>	<u>Sections</u>	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>
<u>Local Transportation Fund</u>			
3	TDA Audit	99245	\$ -
4	CATS/DAR	99260 (a)	538,087
4	RTA	99260	247,330
Total Local Transportation Fund		<u>785,417</u>	<u>895,958</u>
<u>State Transit Assistance Fund</u>			
6.5	99314	99313	4,047
6.5	99313	<u>38,436</u>	<u>22,934</u>
Total State Transit Assistance Fund		<u>38,436</u>	<u>26,981</u>
Total Local Transportation Fund and State Assistance Fund		<u>\$ 823,853</u>	<u>\$ 922,939</u>

NOTE 5 - INTERNAL ACCOUNTING CONTROL

As part of our audit, we reviewed the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary to assist us in planning and performing the audit and to express our opinion on the financial statements. No material weaknesses in internal control were discovered.

CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010 and 2009

NOTE 6 - FARE REVENUE RATIO FISCAL YEAR 2009-2010

	<u>Required Ratio</u>	<u>Current Year Ratio</u>	<u>Findings</u>
Fare revenues	.20	.156	Not in compliance

The fare revenue ratio for the current fiscal year was computed as follows:

A. Fare revenues (\$154,381), less Mid-Day Shuttle revenues (\$3,417)	\$150,964
B. Operating costs (\$1,457,585), less depreciation (\$137,741), contributions to the Regional Transit Authority (JPA) (\$247,330), and Mid-Day Shuttle expenses (\$102,862)	\$969,652
C. Fare revenue ratio (A ÷ B)	.156

NOTE 7 – PTMISEA

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by the voters as Proposition 1B in November 2006, included a program of funding in the amount of \$4 billion to be deposited into the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Of this amount, \$3.6 billion in the PTMISEA was made available to project sponsors in California for allocation to eligible public transportation projects for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or rolling stock procurement, rehabilitation, expansion or replacement. The fiscal year 2007-08, the PTMISEA eligibility is based on STA allocations to each project sponsor during the fiscal years 2004-05, 2005-06, and 2006-07, and is available for allocation until June 30, 2010. Qualifying expenditures must be encumbered within three years from the date of allocation and expended within three years from the date of encumbrance.

On March 20, 2008, the City of El Paso De Robles received funds in the amount of \$158,765 for construction of restrooms for transit services. At June 30, 2010 the City had spent \$158,765 towards design and construction of the restrooms.

On June 22, 2010, the City of El Paso De Robles received funds in the amount of \$2,365 for the purchase of a new bus. At June 30, 2010 the City had spent \$0.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$108,449 was made to correct the amount of accounts receivable accrued at June 30, 2009, and the amount of accounts receivable subsequently received.

**CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2010**

**FINDING 2010-1
FARE BOX RATIO COMPLIANCE**

Finding:

For the fiscal year ended June 30, 2010, the Local Transportation Fund had Operating Costs of \$969,652 and bus fare revenue of \$150,964. This results in a fare box ratio of 15.6%, which is below the 20% minimum required by the Transportation Development Act.

Recommendation:

The City should decrease operating costs or increase bus fares in order to meet the required minimum 20% fare box ratio.

City's Response:

The City is currently pursuing options with City Council to increase revenues and decrease expenses for transit operations to improve the fare box ratio.

This page intentionally left blank.

CITY OF EL PASO DE ROBLES
REPORT AND FINANCIAL STATEMENTS OF THE
LOCAL TRANSPORTATION FUND - NON-TRANSIT
June 30, 2010 and 2009



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIAG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

802 EAST MAIN
SANTA MARIA, CA 93454
TEL: 805.925.2579
FAX: 805.925.2147
www.mlhcpas.com

INDEPENDENT AUDITORS' REPORT

San Luis Obispo Council
of Governments
San Luis Obispo, California

We have audited the financial statements of the Local Transportation Fund-Non-Transit of the City of El Paso De Robles as of and for the fiscal years ended June 30, 2010 and June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management. 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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Transportation Fund-Non-Transit of the City of El Paso De Robles as of June 30, 2010 and June 30, 2009, and the results of its operations for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was further made for purposes of determining compliance with the Transportation Development Act Section 99400 (a), the California Administrative Code, and the rules and regulations of the San Luis Obispo Council of Governments. In our audit, we performed, to the extent applicable, the tasks contained in Section 6666 of the California Administrative Code.

In our opinion, the funds allocated and received by the Local Transportation Fund-Non-Transit of the City of El Paso De Robles were expended and accounted for in conformance with the applicable laws, rules, and regulations of the Transportation Development Act, the California Administrative Code, and the allocation instructions of the San Luis Obispo Council of Governments.

MOSS, LEVY & HARTZHEIM LLP

Moss, Levy & Hartzheim LLP

January 21, 2011

CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND - NON-TRANSIT
BALANCE SHEETS
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and investments	\$ -	\$ 1,571
Accounts receivable	<u>3,735</u>	<u> </u>
Total assets	<u>\$ 3,735</u>	<u>\$ 1,571</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u> </u>	<u> </u>
 FUND BALANCE		
Fund Balance:		
Undesignated	<u>3,735</u>	<u>1,571</u>
Total fund balance	<u>3,735</u>	<u>1,571</u>
Total liabilities and fund balance	<u>\$ 3,735</u>	<u>\$ 1,571</u>

See accompanying notes to financial statements

CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND - NON-TRANSIT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues:		
Local transportation tax:		
Article 3, Section 99233.3	\$ 16,334	\$ 18,711
Article 8, Section 99400 (a)		35,000
Use of money and property	<u>367</u>	<u>3,279</u>
Total revenues	<u>16,701</u>	<u>56,990</u>
Expenditures:		
Construction (streets)	<u> </u>	<u> </u>
Total expenditures	<u> </u>	<u> </u>
Excess of revenues over (under) expenditures	<u>16,701</u>	<u>56,990</u>
Other Financing Sources (Uses)		
Transfers out to City of El Paso de Robles	<u>(14,537)</u>	<u>(127,513)</u>
Total other financing sources (uses)	<u>(14,537)</u>	<u>(127,513)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,164	(70,523)
Fund balance, July 1	<u>1,571</u>	<u>72,094</u>
Fund balance, June 30	<u>\$ 3,735</u>	<u>\$ 1,571</u>

See accompanying notes to financial statements

CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND - NON-TRANSIT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ending June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Local transportation tax	\$ 48,000	\$ 16,334	\$ (31,666)
Use of money and property	<u>7,600</u>	<u>367</u>	<u>(7,233)</u>
Total revenues	<u>55,600</u>	<u>16,701</u>	<u>(38,899)</u>
Expenditures:			
Construction (streets)	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u> </u>	<u> </u>	<u> </u>
Excess of revenues over (under) expenditures	<u>55,600</u>	<u>16,701</u>	<u>(38,899)</u>
Other Financing Sources (Uses)			
Transfers out to City of El Paso de Robles	<u> </u>	<u>(14,537)</u>	<u>(14,537)</u>
Total other financing sources (uses)	<u> </u>	<u>(14,537)</u>	<u>(14,537)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 55,600</u>	2,164	<u>\$ (53,436)</u>
Fund balance, July 1, 2009		<u>1,571</u>	
Fund balance, June 30, 2010		<u>\$ 3,735</u>	

See accompanying notes to financial statements

CITY OF EL PASO DE ROBLES
LOCAL TRANSPORTATION FUND - NON-TRANSIT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ending June 30, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Local transportation tax	\$ 55,000	\$ 53,711	\$ (1,289)
Use of money and property		3,279	3,279
Total revenues	<u>55,000</u>	<u>56,990</u>	<u>1,990</u>
Expenditures:			
Construction (streets)			
Total expenditures			
Excess of revenues over (under) expenditures	<u>55,000</u>	<u>56,990</u>	<u>1,990</u>
Other Financing Sources (Uses)			
Transfers out to City of El Paso de Robles		(127,513)	(127,513)
Total other financing sources (uses)		<u>(127,513)</u>	<u>(127,513)</u>
Excess of revenues an other financing sources over (under) expenditures and other financing uses	<u>\$ 55,000</u>	(70,523)	<u>\$ (125,523)</u>
Fund balance, July 1, 2008		<u>72,094</u>	
Fund balance, June 30, 2009		<u>\$ 1,571</u>	

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Local Transportation Fund - Non-Transit is a special revenue fund of the City of El Paso De Robles and the financial statements of the fund are included in the basic financial statements of the City.

Basis of Accounting

The Local Transportation Fund - Non-Transit is accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period, and expenditures are generally recognized when the related fund liabilities are incurred.

NOTE 2 - INTERGOVERNMENTAL ALLOCATIONS

The City was allocated the following funds:

<u>Article</u>	<u>Fund</u>	<u>Section</u>	<u>2010 Amount</u>	<u>2009 Amount</u>
8	LTF	99400 (a)	\$ -	\$ 35,000
3	LTF	99233.3	<u>16,334</u>	<u>18,711</u>
	Total Allocations		<u>\$ 16,334</u>	<u>\$ 53,711</u>

NOTE 3 - INTERNAL ACCOUNTING CONTROL

As part of our audit, we reviewed the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements. No material weaknesses in internal control were discovered.