

**CITY OF KING CITY
COUNTY OF MONTEREY
FINANCIAL STATEMENTS RELATING TO
THE TRANSPORTATION DEVELOPMENT ACT,
SECTION 99400(a)
FOR STREET AND ROAD PURPOSES
June 30, 2007 and 2006**

TABLE OF CONTENTS

Page

FINANCIAL SECTION:

Independent Auditors' Report	1
Financial Statements:	
Statement of Revenues Collected, Expenditures Paid and Changes in Unexpended Claims for Street and Road Purposes	2
Notes to Financial Statements	3

SUPPLEMENTARY INFORMATION SECTION:

Schedule of Approved Allocations and Claims Paid By Project	4
Schedule of Cumulative TDA Allocations and Claimed Expenditures	5
Independent Auditors' Report on Compliance – Transportation Development Act	6

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Transportation Agency for Monterey County
Salinas, California

We have audited the accompanying statements of revenues collected, expenditures paid and changes in unexpended claims for street and road purposes relating to the Transportation Development Act (TDA), Section 99400(a), of the Public Utilities Code, of the City of King City, for the fiscal years ended June 30, 2007 and 2006. 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.

The accompanying financial statements were prepared to present only the TDA funds referred to above as described in Note 1, and are not intended to be a complete presentation of the financial position of the City of King City at June 30, 2007 and 2006, or the results of its operations for the fiscal years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues collected, expenditures paid and changes in unexpended claims for street and road purposes relating to the TDA, Section 99400(a), of the Public Utilities Code, of the City of King City, for the fiscal years ended June 30, 2007 and 2006, in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information and use of management, the Transportation Agency for Monterey County, the State of California Department of Transportation and the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith

February 8, 2008

City of King City
Transportation Development Act Funds
Statements of Revenues Collected, Expenditures Paid and Changes in Unexpended
Claims for Street and Road Purposes
Relating to Section 99400(a) of the Public Utilities Code
Fiscal Years Ended June 30, 2007 and 2006

	2007	2006
REVENUES		
Allocations claimed for street and road purposes:		
Local Transportation Fund, Section 99400(a)	\$ 913,832	\$ 271,530
Investment Income	-	3,176
	913,832	274,706
EXPENDITURES		
Street Maintenance	1,070,533	105,564
Total Expenditures	1,070,533	105,564
Excess (deficiency) of revenues over expenditures	(156,701)	169,142
BALANCE OF UNEXPENDED TDA CLAIMS, BEGINNING OF YEAR	100,212	(68,930)
BALANCE OF UNEXPENDED TDA CLAIMS, END OF YEAR	\$ (56,489)	\$ 100,212

The accompanying notes are an integral part of this statement.

City of King City
Transportation Development Act Funds
Notes to Financial Statements
June 30, 2007 and June 30, 2006

I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City accounts for its claimed allocations of TDA Section 99400(a) funds in a separate special revenue fund. Interest income is allocated to this fund if TDA claims are received by the City prior to the expenditures being incurred. For the most part, TDA claims are received by the City after the expenditures have been incurred (reimbursement basis).

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements presented are prepared from select accounts and financial transactions of the TDA Fund of the City of King City. The financial statements present the information required to demonstrate the City's compliance with the Transportation Development Act, Section 99400(a), reimbursements for street and road expenditures. Accordingly, they do not present the financial position or the results of operations of the City of King City.

The financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other financial resources are recognized when they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the fund liability is incurred with certain exceptions. For the fiscal year ended June 30, 2006, \$100,212 of the City's Local Transportation Fund revenue was not expended at year-end and was deferred in the accounting records.

II) REQUIRED ALLOCATIONS

Regional Transportation Planning claims are controlled by the Transportation Agency for Monterey County (TAMC). South County Transit, and Congestion Management Agency contributions (CMA) planning claims are controlled by that agency. The claims reduce the balance of Local Transportation Funds held in trust for the City. These amounts are not included in the financial statements of the City and are included in a separate audit report.

SUPPLEMENTARY INFORMATION

City of King City
Transportation Development Act Funds
Schedule of Approved Allocations and Claims Paid by Project Relating to Section
99400(a) of the Public Utilities Code
Fiscal Years Ended June 30, 2007 and 2006

	Transportation Agency for Monterey County Approved Allocations	Amount Claimed
2007		
Streets and Roads, Section 99400(a):		
Street Maintenance	\$ 1,429,553	\$ 913,832
Maximum Approved Allocation	\$ 1,429,553	\$ 913,832
2006		
Streets and Roads, Section 99400(a):		
Street Maintenance	\$ 400,000	\$ 271,530
Maximum Approved Allocation	\$ 400,000	\$ 271,530

City of King City
Transportation Development Act Funds
Schedule of Cumulative TDA Allocations and Claimed Expenditures Relating to Section 99400(a)
of the Public Utilities Code
Fiscal Year Ended June 30, 2007

	Fiscal Year 2007		Cumulative Total - June 30, 2007			Project Status
	TDA Allocations Claimed	Expenditures	TDA Allocations Claimed	Expenditures	Unexpended TDA Claims	
	Streets and Roads, Section 99400(a):					
Street Maintenance	\$ 913,832	\$ 1,070,533	\$ 1,014,044	\$ 1,070,533	\$ (56,489)	Ongoing
Total	<u>\$ 913,832</u>	<u>\$ 1,070,533</u>	<u>\$ 1,014,044</u>	<u>\$ 1,070,533</u>	<u>\$ (56,489)</u>	

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE -
TRANSPORTATION DEVELOPMENT ACT

Transportation Agency for Monterey County
Salinas, California

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of revenues collected, expenditures paid and changes in unexpended claims for street and road purposes relating to the Transportation Development Act (TDA), Section 99400(a) of the Public Utilities Code, of the City of King City, for the fiscal year ended June 30, 2007 and have issued our report thereon dated February 8, 2008.

As part of our audit, we tested for whether the funds allocated to and received by the City of King City, pursuant to the TDA, Sections 99400(a), 99402 and 99405 were expended in conformance with the applicable statutes, rules and regulations of the TDA including Section 6666 of Title 21 of the California Administrative Code and the allocation instructions and resolutions of the Transportation Agency for Monterey County.

In connection with our audit, nothing came to our attention that caused us to believe that the City of King City was not in compliance with the aforementioned laws or regulations as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management, the Transportation Agency for Monterey County, the State of California Department of Transportation and the State of California Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Teaman Ramirez & Smith

February 8, 2008