



February 28, 2023

Mr. David Rowlands
City of Fillmore
250 Central Avenue
Fillmore, CA 93015

We have audited the financial statements of the Transportation Development Act, Article 3, Article 8, Section 99400(a), and Article 8, Section 99400(c) ("TDA Funds"), of the City of Fillmore ("City"), as of and for the year ended June 30, 2022, and have issued our reports thereon dated as follows.

<u>Report Title</u>	<u>Date of Report</u>
TDA Article 3 Fund – Auditor’s Report	February 28, 2023
TDA Article 8a Fund – Auditor’s Report	February 21, 2023
TDA Article 8c Fund – Auditor’s Report	January 18, 2023

Professional standards require that we provide you with information about our responsibilities under general accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City TDA Funds are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the following management representation letters.

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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the TDA Funds’ financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Deficiency #1: The City incorrectly calculated the interest allocation to the TDA 3 fund and the TDA 8a fund in prior years and most likely in the current year. This resulted in prior period adjustments to restate the City’s beginning fund balance and cash for FY 2021. The probability that the current year interest is incorrect is high, as the contractor working on providing the supporting documentation for the audit indicated the following: *“After careful review, I believe it to be in the best interest of Fillmore to keep the interest earnings and my prepared LAIF schedule as is. I put a lot of effort and thought into the calculations and it should remain this way until Fillmore hires a new Finance Director. Either the new Finance Director or the City Auditors would be in the best position to change a procedure that has been*

handled this way for many years; and re-doing this schedule just for 2 funds when there are over 20 funds in this pool does not seem to be time or cost effective.

By the way, the 1.5 million dollars that are in Fund 204 are mostly held in our pooled cash/ local bank account and were never transferred to the State Pooled Cash fund. The reports I ran on the State LAIF balances were consistent over a five year period and clearly show that these funds were never part of the STATE LAIF allocation.”

As the interest income in question of \$9 for TDA 3 and \$166 for TDA 8a were not material for the TDA audits, it was passed on it in order to meet the TDA audit report filing deadline, which has been extended twice.

Recommendation: Management should re-train employees and develop proper procedures in writing to ensure that interest income is allocated in a consistent manner year after year. This will ensure that even if there is high staff turnover, as the City has been experiencing the past few years, new staff are aware how interest has been allocated in the past and to follow the same procedure.

Deficiency #2: The City received Article 3 funds that date back to FY 2013/14 for the open City Hall Handicap Parking Project in the amount of \$34,438. This project has a match requirement of \$1 Local Transportation Fund (LTF) for \$1 match funding from the City. The City received \$30,000 in LTF funding in FY 2013/14, and an additional transfer of \$4,438 from the Rte. 23 Bike Trail Connect Design project that was remaining after completion with VCTC approval in December 2014. To date the City has provided match funding since FY 2016/17 in the amount of \$18,799, and has match still pending of \$15,639. No additional match contribution has been contributed in FY 2020/21 and FY 2021/22 to meet the total match requirement.

In the follow up letter to VCTC dated May 1, 2022, the City stated that the LTF funds would be utilized on the City Hall Handicap Parking Project by December 31, 2022. However, when we followed up on the progress of the project, the City indicated that the City Hall Handicap Parking Project has not commenced yet but the current intention is that it would be completed in FY 2022/23 or FY 2023/24.

Recommendation: Management should try to complete the City Hall Handicap Parking Project in FY 2022/23 and provide the remaining match funding of \$15,639.

Restriction on Use

This information is intended solely for the use of the those charged with governance and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Best regards,



Lake Forest, CA
February 28, 2023