

CITY OF SIMI VALLEY, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

CITY OF SIMI VALLEY, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Fiscal Years Ended June 30, 2022, and 2021

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Board of Commissioners
Ventura County Transportation Commission
Ventura, California

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund ("TDA Fund") of the City of Simi Valley, California ("City"), as of and for the years ended June 30, 2022, and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the City, as of June 30, 2022, and 2021, and the respective changes in financial position of the TDA Fund of the City for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2022, and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Fund of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Our audit was conducted for the purpose of forming an opinion on financial statements of the TDA Fund of the City. The *Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual* and the *Schedule of Status of Funds by Project*, listed as supplemental data in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements for the TDA Fund of the City. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual* and the *Schedule of Status of Funds by Project* are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the City's internal control over financial reporting for the TDA Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Lake Forest, California
February 23, 2023

CITY OF SIMI VALLEY, CALIFORNIA

Transportation Development Act Local Transportation Fund Article 3, Section 99234 Public Utilities Code

Comparative Balance Sheets

June 30, 2022, and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash and investments (Note 3)	\$ 110,064	\$ 109,095
Interest receivable	400	122
	<u>110,464</u>	<u>109,217</u>
Total assets	<u>\$ 110,464</u>	<u>\$ 109,217</u>
<u>Liabilities and fund balance</u>		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>
Fund balance - restricted	<u>110,464</u>	<u>109,217</u>
Total liabilities and fund balance	<u>\$ 110,464</u>	<u>\$ 109,217</u>

See accompanying notes to financial statements.

CITY OF SIMI VALLEY, CALIFORNIA

Transportation Development Act Local Transportation Fund Article 3, Section 99234 Public Utilities Code

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance

Fiscal Years Ended June 30, 2022, and 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
TDA Article 3 funds	\$ 26,105	\$ 119,913
Interest income (Note 4)	1,247	242
Interest receivable adjustment (Note 4)	<u>-</u>	<u>(752)</u>
Total revenues	<u>27,352</u>	<u>119,403</u>
Expenditures:		
Construction, maintenance, and engineering	<u>26,105</u>	<u>180,493</u>
Total expenditures	<u>26,105</u>	<u>180,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,247</u>	<u>(61,090)</u>
Fund balance at beginning of year	<u>109,217</u>	<u>170,307</u>
Fund balance at end of year	<u>\$ 110,464</u>	<u>\$ 109,217</u>

See accompanying notes to financial statements.

CITY OF SIMI VALLEY, CALIFORNIA

Transportation Development Act Local Transportation Fund
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Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(1) **General Information**

The financial statements are intended to reflect the financial position and changes in financial position for the Transportation Development Act Local Transportation Fund pursuant to Article 3 (“TDA Fund” or “Bicycle Lanes Fund”) of the City of Simi Valley, California (“City”) only.

Pursuant to Section 99234 of the California Public Utilities Code, Article 3 monies may be used only for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenses of those facilities, the maintenance of bicycle trails (which are closed to motorized traffic), and bicycle safety education programs. Facilities that provide for the use of bicycles may include projects that serve the needs of commuting bicyclists, including, but not limited to, new trails serving major transportation corridors, secure bicycle parking at employment centers, park and ride lots, and transit terminals where other funds are unavailable. Funding for this program was authorized by the Ventura County Transportation Commission (“VCTC”).

(2) **Summary of Significant Accounting Policies**

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, reserves, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City accounts for the activity of the Article 3 funds in its Bicycle Lanes Fund, which is a Special Revenue Fund. Special Revenue Funds are used to account for and report on a particular source of revenue.

Measurement Focus and Basis of Accounting

Special Revenue Funds are accounted for by using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the fiscal period. Expenditures are generally recorded when a liability is incurred.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 3 are recognized in the period when all eligibility requirements have been met.

An unearned revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Unearned revenue also arises when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet, and revenue is recognized.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – this includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.
- *Assigned Fund Balance* – this includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – this includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(2) **Summary of Significant Accounting Policies (Continued)**

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

(3) **Cash and Investments**

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The TDA Fund's cash and investments as of June 30, 2022, and 2021 were \$110,064 and \$109,095, respectively.

The TDA Fund's cash is deposited in the City's internal investment pool, which is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the TDA Fund are those of the City and are included in the City's basic financial statements.

See the City's basic financial statements for disclosures related to cash and investments including those disclosures relating to interest rate risk, credit rate risk, custodial credit risk, and concentration risk.

(4) **Interest Income**

Interest income for Fiscal Year ended June 30, 2021 has been broken out to identify interest income and interest receivable adjustment, as the interest receivable adjustment in Fiscal Year 2021 is greater than the interest income. This adjustment is not necessary for Fiscal Year 2022. Interest income and interest receivable adjustment for the Fiscal Years ended June 30, 2022, and 2021 were as follows:

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Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(4) Interest Income (Continued)

	<u>FY 2022</u>	<u>FY 2021</u>
Interest income	\$ 1,247	\$ 242
Interest receivable adjustment	-	(752)
Total interest revenues	<u>\$ 1,247</u>	<u>\$ (510)</u>

Total interest income, including the year-end interest receivable adjustment, for Fiscal Year ended June 30, 2021, reflects a negative amount resulting from the reversal of the Fiscal Year 2020 interest receivable allocation. This was calculated using TDA 3 average cash balances from January through June 2020, consistent with the methodology used for all funds within the City. TDA 3 average cash balances were high during this period, however, the actual interest allocated during Fiscal Year 2021 was based on the monthly cash balances in the TDA 3 fund from July 2020 through June 2021, which were much lower due to a large cash outflow in July 2020 from the TDA 3 fund to the City's Streets and Roads fund. To summarize, the net impact in Fiscal Year ended June 30, 2021 is a negative interest amount, as the Fiscal Year 2020 interest receivable allocation reversal posted on July 1, 2020, was larger than the total Fiscal Year 2021 interest allocation earnings.

(5) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety education programs.

(6) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(7) Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

Supplemental Data

CITY OF SIMI VALLEY, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2022

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA Article 3 funds	\$ 38,000	\$ 38,000	\$ 26,105	\$ (11,895)
Interest income (Note 4)	500	500	1,247	747
Interest receivable adjustment (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>38,500</u>	<u>38,500</u>	<u>27,352</u>	<u>(11,148)</u>
Expenditures:				
Construction, maintenance, and engineering	<u>38,000</u>	<u>38,000</u>	<u>26,105</u>	<u>11,895</u>
Total expenditures	<u>38,000</u>	<u>38,000</u>	<u>26,105</u>	<u>11,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 500</u>	<u>\$ 500</u>	1,247	<u>\$ 747</u>
Fund balance at beginning of year			<u>109,217</u>	
Fund balance at end of year			<u>\$ 110,464</u>	

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Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance From
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
Revenues:				
TDA Article 3 funds	\$ 30,000	\$ 30,000	\$ 119,913	\$ 89,913
Interest income (Note 4)	500	500	242	(258)
Interest receivable adjustment (Note 4)	-	-	(752)	(752)
Total revenues	<u>30,500</u>	<u>30,500</u>	<u>119,403</u>	<u>88,903</u>
Expenditures:				
Construction, maintenance, and engineering	<u>30,000</u>	<u>190,580</u>	<u>180,493</u>	<u>10,087</u>
Total expenditures	<u>30,000</u>	<u>190,580</u>	<u>180,493</u>	<u>10,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 500</u>	<u>\$ (160,080)</u>	(61,090)	<u>\$ 98,990</u>
Fund balance at beginning of year			<u>170,307</u>	
Fund balance at end of year			<u>\$ 109,217</u>	

CITY OF SIMI VALLEY, CALIFORNIA

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Schedule of Status of Funds by Project

Fiscal Year Ended June 30, 2022

Program	LTF	Required	Approved	Notes	Local	Funds	LTF		Current Year	Current Year	Prior Years	Prior Years	Unexpended	Program
			Transfer/ Accrued Interest				Match	Transfers and						
Year	Allocations	Local Match	Applied		Transfer (3)	to VCTC (2)	Local Match	Expenditures	Expenditures	Expenditures	Expenditures	Allocations	Status	
Widen LA Ave between Hidden Ranch Road & Stearn	2013-14	\$ 75,000	\$ 75,000	\$ (15,477)	(1)	\$ (15,477)	\$ -	\$ 119,046	\$ -	\$ -	\$ 59,523	\$ 59,523	\$ -	Closed
Arroyo Simi Greenway (Phase II additional)	2014-15	78,000	78,000	15,477	(1)	(42,683)	(58,160)	70,634	-	35,317	35,317	-	-	Closed
Arroyo Simi Greenway (Phase 3)	2015-16	50,000	1,330,000	-		-	-	1,380,000	-	430,480	50,000	1,302,303	-	Closed
Ranch Simi Arroyo Simi Greenway (Phase 3)	2020-21	100,000	-	-		-	-	100,000	-	-	-	-	100,000	Open
Bicycle Path Maintenance - Class I	2021-22	26,105	-	-		-	-	26,105	26,105	-	-	-	-	Closed
Total		\$ 329,105	\$ 1,483,000	\$ -		\$ (58,160)	\$ (58,160)	\$ 1,695,785	\$ 26,105	\$ 465,797	\$ 144,840	\$ 1,361,826	\$ 100,000	
Unexpended interest accumulated to date													10,464	(2)
Fund balance at June 30, 2022													110,464	

Notes:

- (1) - The City of Simi Valley received approval from VCTC on March 9, 2016 to transfer TDA Article 3 funding from Fiscal Year 2013-14 closed bicycle projects to Fiscal Year 2014-15's Arroyo Simi Greenway project.
- (2) - As a result of the Fiscal Year 2018-19 audit, the City identified unused TDA funds related to prior program years. Specifically, \$8,171 of funds were unspent from program year 2011-12, \$58,160 of funds were unspent from program year 2014-15, and \$15,979 of accumulated interest were unspent. As VCTC's policy is to reprogram any unexpended funds in the next TDA Article 3 call-for-projects, VCTC requested repayment of \$82,310 in Fiscal Year 2019-20. These unused funds were returned to VCTC on March 11, 2020.
- (3) - Local Match Transfer column was added to provide a complete picture regarding updated match requirements. The Arroyo Simi Greenway (Phase II additional) match was reduced by \$58,160 to reflect the LTF Funds returned to VCTC on March 11, 2020, reflected in Note 2, which consequently reduced the required City match to \$42,683 (\$15,477 - \$58,160).



Board of Commissioners
Ventura County Transportation Commission
Ventura, California

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the 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, the financial statements of the Transportation Development Act Local Transportation Fund pursuant to Article 3 (“TDA Fund”) of the City of Simi Valley, California (“City”), as of and for the years ended June 30, 2022, and 2021, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be material weakness, which is described in the accompanying schedule of findings (Finding # 1).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Fund of the City are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including §6666 of Part 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including §6666 of Part 21 of the California Code of Regulations, which are described in the accompanying schedule of findings (Finding # 1).

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lake Forest, California
February 23, 2023

CITY OF SIMI VALLEY, CALIFORNIA

Transportation Development Act Local Transportation Fund
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Finding and Recommendation

Fiscal Years Ended June 30, 2022, and 2021

(1) **Need to Monitor TDA Compliance of Entity Expending TDA Funds on the City's Behalf**

Rancho Simi Recreation and Park District ("RSRPD") provided an expense report which included 20% of payroll costs of its two employees being allocated to trail maintenance. RSRPD also provided timecards and payroll registers for the two employees to support payroll costs. However, the timecards provided did not itemize the hours worked on pedestrian and bike path maintenance.

The VCTC Transportation Development Act Claims Manual, Table 3 states, in part:

"TDA eligibility requirements must be maintained and are the responsibility of the claimant/local agency. ..."

Recommendation

We recommend the City requests RSRPD to track hours that are worked on pedestrian and bike path maintenance to determine if the expenditure is allowable for TDA 3 funding. Additionally, the City should implement review procedures to ensure RSRPD expenditures are reviewed for compliance with TDA 3 eligible uses and spent in their entirety.

Management Response:

The City stated that the Fiscal Year 2021 audit was completed too late into Fiscal Year 2022 to adopt any new procedures for Fiscal Year 2022. The City further stated that they have received assurances from the RSRPD that a unique tracking number has been assigned to work done on the bike path maintenance for Fiscal Year 2023.