



April 7, 2026

Mr. Ben Harvey
City of Ojai
401 South Ventura Street
Ojai, CA 93023

We have audited the financial statements of the Transportation Development Act (“TDA”), Article 3, and TDA Restated Article 4 (“TDA Funds”), of the City of Ojai, as of and for the years ended June 30, 2025 and 2024, and have issued our report thereon dated March 9, 2026 and April 7, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, certain provisions of laws, regulations, contracts, and grant agreements, including §6666 of Part 21 of the California Code of Regulations, 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 Fund 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 management representation letter dated March 9, 2026 and April 7, 2026.

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 Fund's 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 currently commingles TDA 4 funds with other transit funds, including funding from the City, County of Ventura ("County"), and the Congestion Mitigation and Air Quality Improvement Program ("CMAQ"). The expenses for the TDA 4 program are determined based on the revenue percentage allocation. Due to numerous adjustments, the fiscal year 2025 financial statements were revised multiple times, significantly delaying the finalization and issuance of the City's TDA 4 audit report. Additionally, this issue contributed to delays in the issuance of the County's TDA 4 report, as the County contributes local funding for the Ojai Trolley program.

This is a repeat deficiency.

Recommendation: The City should record the TDA 4 program activity in a separate fund to improve tracking and accountability, thereby reducing the need for multiple adjustments and ensuring the timely completion of financial reports.

Deficiency #2: A capital asset omission was identified in the TDA 4 program related to trolley purchases that were expensed rather than capitalized. It was determined that the trolleys had not yet been placed into service at the time of purchase. The City has been advised to record these costs as construction-in-progress (CIP) capital assets until the trolleys are placed into service, rather than expensing them.

Recommendation: The City should implement procedures to review capital expenditure and ensure assets not yet placed into service are recorded as CIP rather than expensed. This will help ensure proper capitalization and compliance with applicable accounting standards.

Deficiency #3: Adjusting journal entries were required in the TDA 4 program to correct the Salaries – Regular/Compensated Absence (account #023-1206-0011-001) due to the allocation of Compensated Absence Payable (account #023-0000-0602-093) and Compensated Absences Payable – Long Term (account #023-0000-0650-002), which were incorrectly charged to the Cemetery Fund (Fund 70) instead of the Transit Fund (Fund 23).

Recommendation: The City should strengthen its review and allocation procedures for payroll and compensated absence entries to ensure amounts are recorded in the appropriate funds.

Deficiency #4: Two sampled transactions in the TDA 4 program related to expenses incurred in FY 2024 were recorded in FY 2025. Upon follow-up, the City indicated that although the payments were made in FY 2024, the amounts were considered immaterial, and that staff were directed to accrue payments through August with a threshold of \$10,000. However, this process has not been formalized in a written policy.

Recommendation: The City should formalize its year-end accrual procedures in a written policy, including clearly defined cutoff period and materiality thresholds. Additionally, management should implement a review process to ensure expenses are recorded in the proper fiscal period in accordance with established guidelines.

Deficiency #5: The City incorrectly included County subsidy revenues in its calculation of the TDA 4 farebox recovery ratio. The County subsidy is comprised of TDA Article 4 funds and, as such, does not qualify as “local funds” for purposes of the farebox recovery ratio calculation.

Under applicable TDA guidance, “local funds” are limited to auxiliary transportation revenues, taxes levied directly by the transit system, and local cash grants and reimbursements. While Assembly Bill 147 expanded the definition of local funds to include federal funding, this provision does not extend to TDA-derived revenues. The temporary inclusion of federal funds as local funds has been extended through fiscal year 2025–26 under Senate Bill 125.

As a result, the inclusion of County subsidy (TDA) funds in the farebox recovery ratio calculation is not in accordance with TDA requirements.

Recommendation: We recommend that the City revise its methodology for calculating the TDA 4 farebox recovery ratio to ensure that only eligible “local funds” are included, in accordance with TDA requirements. Specifically, the City should exclude County subsidy revenues derived from TDA sources from the calculation and ensure that only qualifying revenues—such as auxiliary transportation revenues, locally generated taxes, eligible local cash contributions, and, where applicable, federal funds permitted under Assembly Bill 147 and extended by Senate Bill 125—are included.

In addition, we recommend that the City implement a formal review control over the farebox recovery ratio calculation, including supervisory review and reconciliation to supporting documentation, to ensure compliance with applicable TDA guidance and to prevent similar errors in future reporting periods.

Deficiency #6: Policies related to Cash Disbursements, Cash Receipts, Payroll, and Capital Assets were reviewed and noted to lack documentation of approval and review dates. Upon follow-up, the City was unable to provide evidence of when these policies were last reviewed.

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Recommendation: The City should formalize its policy review procedures by establishing a requirement for periodic (e.g., annual) review of all policies. Additionally, management should implement a process to document the dates of approval and review to ensure policies remain current and properly maintained.

Deficiency #7: The accounts payable process is inconsistent. Some processed physical invoices were returned to the finance department where others were scanned and saved to a specified location. Electronic invoices were received by department contacts and not directly to the accounts payable department.

Recommendation: The City should implement a standardized accounts payable process that requires all invoices, both physical and electronic, to be routed through a centralized intake point within the finance department. Physical invoices should be consistently scanned and stored in a designated system, and electronic invoices should be sent to accounts payable department to improve consistency, recordkeeping, and oversight.

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,



Rancho Santa Margarita, California
April 7, 2026