ANNUAL PROGRAM COMPLIANCE REPORT

The Annual Program Compliance Report should, at a minimum, describe the efforts of the local jurisdiction to comply with the policies of Measure X over the reporting period. The report should include a narrative of how the jurisdiction spent Measure X funds on local projects including the project title; brief description; discussion of the project benefits; and before and after pictures. A balance sheet should also be included with the report detailing the receipt and expenditure of Measure X funds, as shown in the example below.

CITY OF DEL REY OAKS - YEAR 2025 BALANCE SHEET

REVENUES	
Carryover from Previous Year	$ 73,398
Measure X Revenues	100,953
Earning on Interest	-0-
TOTAL REVENUES:	174,351
EXPENDITURES	
Capital outlay	74,100
Debt - Principal	79,393
Debt - Interest	20,470
TOTAL EXPENDITURES	173,963
FUND BALANCE, END OF PERIOD:	388

As attachments to the Annual Program Compliance Report, the jurisdiction should include the following additional reports:

ATTACHMENT 1: Independent Audit of Financial Statements for Measure X Funds, Prior Fiscal Year
ATTACHMENT 2: Five-Year Capital Improvement Program
ATTACHMENT 3: Pavement Management Program Report

CITY OF DEL REY OAKS

TRANSPORTATION SAFETY AND INVESTMENT PLAN ACCOUNT FUND

WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2025

* * *

Chavan & Associates, LLP
Certified Public Accountants
16450 Monterey Road, Ste. #5
Morgan Hill, CA 95037

CITY OF DEL REY OAKS
Transportation Safety and Investment Plan Account Fund
June 30, 2025

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FINANCIAL SECTION

Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

City Council
City of Del Rey Oaks
Del Rey Oaks, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Safety and Investment Plan Account Fund of the City of Del Rey Oaks, as of and for the year ended June 30, 2025, 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 Transportation Safety and Investment Plan Account Fund of the City of Del Rey Oaks, as of June 30, 2025, and the changes in financial position thereof for the year 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 (GAAS) 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 for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other 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.

Other Matters

As discussed in Note 1, the financial statements present only the Transportation Safety and Investment Plan Account Fund and do not purport to, and do not, present fairly the financial position of the City of Del Rey Oaks, as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the fiscal year 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

City management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 GAAS 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 GAAS 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Transportation Safety and Investment Plan Account Fund financial statements that collectively comprise the City of Del Rey Oaks Transportation Safety and Investment Plan Account Fund financial statements. The accompanying supplemental information – Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on page 8 is presented for purposes of additional analysis and is

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not a required part of the basic financial statements. The supplemental schedule is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the City's Transportation Safety and Investment Plan Account Fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is fairly stated, in all material respects, in relation to the basic 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 December 1, 2025, on our consideration of the City of Del Rey Oaks Traffic Safety and Investment Plan Account Fund's internal control over financial reporting and on our tests of its compliance with the requirements described in the TAMC's Ordinance No. 2016-01 and in the Agreement between TAMC and the City and other matters for the fiscal year ended June 30, 2025. The purpose of that report is solely to report our opinion on compliance and to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of the City of Del Rey Oaks Traffic Safety and Investment Plan Account Fund's internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Del Rey Oaks Traffic Safety and Investment Plan Account Fund's compliance.

C & A LLP

December 1, 2025
Morgan Hill, California

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City of Del Rey Oaks
Transportation Safety and Investment Plan Accounting Fund
Balance Sheet
June 30, 2025

ASSETS		
Taxes receivable	$	19,196
Total assets	$	19,196
LIABILITIES AND FUND BALANCES		
Liabilities		
Due to other funds	$	18,808
Total liabilities		18,808
Fund Balances:		
Restricted		388
Total fund balances		388
Total Liabilities and Fund Balance	$	19,196

The accompanying notes are an integral part of these financial statements

City of Del Rey Oaks
Transportation Safety and Investment Plan Accounting Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2025

REVENUES	
Transportation Safety and Investment Plan Account revenue	$ 100,953
Total Revenues	100,953
EXPENDITURES	
Debt service	
Principal	79,393
Interest and fiscal charges	20,470
Total Expenditures	99,863
Excess (Deficiency) of Revenues over Expenditures	1,090
OTHER FINANCING SOURCES (USES)	
Transfers out	(74,100)
Total Other Financing Sources (Uses)	(74,100)
Net Change in Fund Balance	(73,010)
Fund Balance Beginning	73,398
Fund Balance Ending	$ 388

The accompanying notes are an integral part of these financial statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Transportation Safety and Investment Plan Account Fund of the City of Del Rey Oaks (the City) is a governmental fund type. Governmental funds are accounted for using a current financial resources measurement focus. The application of this measurement focus provides that, in general, only current assets and current liabilities are present on the balance sheet. Operating statements of these funds present revenues and expenditures.

The modified accrual basis of accounting is used for the Transportation Safety and Investment Plan Account Fund. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Measurable means that the amount of the transaction can be determined. Available means the funds are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures of governmental funds are generally recognized when the related fund liability is incurred.

Reporting Entity

The Transportation Safety and Investment Plan Account Fund from the Transportation Agency for Monterey County was approved on November 8, 2016. The revenue from the sales tax measure will be used to fund transportation safety and mobility projects in Monterey County. Expenditures are restricted to road improvements, pothole repairs, street and road maintenance, traffic deduction and regional safety, mobility, and walkability.

The Transportation Safety and Investment Plan Fund financial statements and related accounting policies of the City conform with generally accepted accounting principles applicable to governments in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements present only the Transportation Safety and Investment Plan Account Fund and do not purport to, and do not present, the City's financial position and changes in financial position. The City's basic financial statements are available from the Finance Department at City's address and website.

NOTE 2 – CASH DEPOSITS

The City follows the practice of pooling cash and investments for all funds (including the Transportation Safety and Investment Plan Account Fund) under its direct daily control. Interest earned on pooled cash and investments is allocated periodically to the various funds based on average cash balances. Detailed disclosure regarding the City's investments of cash is included in the notes to City's basic financial statements.

NOTE 3 – MAINTENANCE OF EFFORT

The Measure X Master Programs Funding Agreement between the City and the Transportation Agency for Monterey County , as amended, requires that the City must expend each fiscal year from its general fund for street and highway purposes an amount not less than the annual average of its expenditures from its general fund during the 2009-10, 2010-11, and 2011-12 fiscal years, but not less than what was expended in 2016-17 (when Measure X passed), as reported to the Controller pursuant to Streets and Highways Code section 2151 ("Maintenance of Effort"). This baseline amount will be indexed annually to the Engineering News Record construction index.

The following eligible expenditures were made:

Fiscal year ended June 30:		
2010	$	50,083
2011		50,083
2012		12,000
Total	$	112,166
Three year average	$	37,389
Fiscal year ended June 30, 2017	$	61,043
Maintenance of effort baseline	$	61,043
Engineering News Record construction index FY 2019/20		1.37%
Engineering News Record construction index FY 2020/21		1.27%
Engineering News Record construction index FY 2021/22		2.05%
Engineering News Record construction index FY 2022/23		7.34%
Engineering News Record construction index FY 2023/24		4.93%
Engineering News Record construction index FY 2024/25		2.58%
Index-adjusted maintenance of effort requirement	$	73,889
Current year eligible expenditures	$	232,521
Compliant (Yes or No)		Yes

Total expenditures from the general fund for street and highway purposes for the fiscal year ended June 30, 2025 was $232,521. The City was in compliance with the Maintenance of Effort requirement of the Measure X Master Programs Funding Agreement between the City of Del Rey Oaks and the Transportation Agency for Monterey County.

SUPPLEMENTARY INFORMATION

City of Del Rey Oaks
Transportation Safety and Investment Plan Account Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Transportation Safety and Investment Plan Account revenue	$ 94,400	$ 95,102	$100,953	$ 5,851
Total Revenues	94,400	95,102	100,953	5,851
EXPENDITURES				
Debt service				
Principal	80,400	80,400	79,393	1,007
Interest and fiscal charges	14,000	14,000	20,470	(6,470)
Total Expenditures	94,400	94,400	99,863	(5,463)
Net Changes in Fund Balance	-	702	(73,010)	(73,712)
Fund Balance Beginning	73,398	73,398	73,398	-
Fund Balance Ending	$ 73,398	$ 74,100	$ 388	$ (73,712)

The City employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the City Council to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the Measure X Special Revenue Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP. The expenditures noted above in excess of appropriations were covered by fund balance, appropriations available in other categories, or revenues in excess of budget.

OTHER INDEPENDENT AUDITORS REPORT

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

City Council
City of Del Rey Oaks
Del Rey Oaks, California

We have audited, 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, the financial statements of the Transportation Safety and Investment Plan Account Fund (Measure X Fund) of City of Del Rey Oaks (the "City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Del Rey Oaks the City's Measure X Fund financial statements, and have issued our report thereon dated December 1, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Del Rey Oaks internal control over financial reporting (internal control) as a basis for designing 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 of Del Rey Oaks internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Del Rey Oaks 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 misstatement 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 City's financial statement 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Del Rey Oaks Measure X Fund financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

December 1, 2025
Morgan Hill, California

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH TAMC ORDINANCE NO. 2016-01 AND THE MEASURE X MASTER PROGRAMS FUNDING AGREEMENT

City Council
City of Del Rey Oaks
Del Rey Oaks, California

Report on Compliance with the TAMC Ordinance No. 2016-01

Opinion

We have audited the City of Del Rey Oaks's (the "City") Transportation Safety and Investment Plan Account Funds' (the City's Measure X Funds) compliance with the types of compliance requirements described in the Transportation Agency's for Monterey County's (TAMC) Ordinance No. 2016-01 and the Measure X Master Programs Funding Agreement (the Agreement) between TAMC and the City, applicable for the fiscal year ended June 30, 2025.

In our opinion, the funds allocated to and received by the City's Measure X Funds, complied, in all material respects, with the compliance requirements referred to above that are applicable in accordance to the compliance requirements described in the Transportation Agency for Monterey County's (TAMC) Ordinance No. 2016-01 and in the Measure X Master Programs Funding Agreement between TAMC and the City for the fiscal year ended June 30, 2025.

Basis for Opinion on Compliance with the TAMC Ordinance No. 2016-01 Requirements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with the compliance requirements described in the Transportation Agency for Monterey County's (TAMC) Ordinance No. 2016-01 and in the Measure X Master Programs Funding Agreement (the Agreement) between TAMC and the City. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other 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 opinion on compliance with the compliance requirements referred to above. However, our audit does not provide a legal determination of the City's compliance.

Management's Responsibility for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Safety and Investment Plan Account Funds.

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Auditor's Responsibilities for the Audit of Compliance

Our responsibility is to express an opinion on the City's compliance based on our audit in accordance with the compliance requirements described in the Transportation Agency for Monterey County's (TAMC) Ordinance No. 2016-01 and in the Measure X Master Programs Funding Agreement (the Agreement) between TAMC and the City. The Measure X Master Programs Funding Agreement requires that the independent auditor shall perform at least the following tasks: (1) determine whether the recipient expended all Measure X funds received in compliance with Measure X, the Measure X Investment Plan, and the Policies & Project Descriptions, as they may be adopted or amended by TAMC from time to time, and the Agreement, (2) determine whether the Measure X revenues received and expended were accounted for and tracked in its own separate budget and fund titled "Transportation Safety & Investment Plan Account" and were not be comingled with any other funds and that the accounting system provides adequate internal controls and audit trails to facilitate an annual compliance audit for each fund type and the respective usage and application of said funds, and (3) determine whether the City met the Maintenance of Effort requirements imposed by Measure X and State law. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state laws and regulations applicable to the City occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Purpose of this Report

The purpose of this report is solely to report our opinion on compliance with the TAMC Ordinance No. 2016-01 and to describe the scope of our testing over compliance and the results of that testing. This report is intended solely for the information and use of City Council, management of the Transportation Agency for Monterey County and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

C & A LLP

December 1, 2025
Morgan Hill, California

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CITY of DEL REY OAKS
MEASURE X FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM
FOR YEARS 2025-2029

YEAR 1 2025

Project	Description & Phase	Total Cost	Measure X	PCI
Rosita Emergency Repair	Rosita Road Emergency Repair	$616,545	$74,100	
	Totals:			

YEAR 2

Project	Description & Phase	Total Cost	Measure X	PCI
	Totals:			

YEAR 3

Project	Description & Phase	Total Cost	Measure X	PCI
	Totals:			

YEAR 4

Project	Description & Phase	Total Cost	Measure X	PCI
	Totals:			

YEAR 5

Project	Description & Phase	Total Cost	Measure X	PCI
	Totals:			

The City will not have sufficient Measure X funds for street improvements until the Measure X advance is paid off in about five years.

CITY OF DEL REY OAKS
650 CANYON DEL REY BLVD, DEL REY OAKS, CALIFORNIA 93940
PHONE (831) 394-8511 FAX (831) 394-6421

December 29, 2025

Todd Muck
Executive Director
Transportation Agency for Monterey County
55-B Plaza Circle
Salinas, CA 93901

Re: Pavement Management Program Annual Report Letter

The City of Del Rey Oaks confirms that it has a Pavement Management Program that conforms to the criteria established by the Transportation Agency for Monterey County and included in the Measure X Agreement with the Local Agency. An approved Pavement Management Program must be in place to be eligible for Measure X funds.

The Pavement Management Program utilizes a software system developed by:
__X__ Metropolitan Transportation Commission Street Saver,
_____ Other _ [Fill in name of system]_____

The system was updated by NCE and contains, at a minimum, the following elements:

- Inventory of all existing pavements under the local agency jurisdiction:

Centerline miles:	9.6
Total lane miles (or equivalent units):	20.5
The last update of the inventory was completed on:	6/2018

- Average Pavement Condition Index (PCI) 74
- Identification of sections of roadways brought up to acceptable PCI levels for the current year:

  None

- Amount spent to rehabilitate or replace deficient sections for the current year: $ -0-

You may direct any questions regarding the system to Sherman Low at 831-624-2110, Neill Engineers Corp.

Sincerely,

John Guertin, City Manager