

CITY OF MONTEREY

**TRANSPORTATION SAFETY AND INVESTMENT
PLAN ACCOUNT FUND**

Monterey, California

INDEPENDENT AUDITORS' REPORTS AND ANNUAL FINANCIAL REPORT

JUNE 30, 2024

City of Monterey
Transportation Safety and Investment Plan Account Fund
Table of Contents
June 30, 2024

Independent Auditor’s Report	1
Government Fund Financial Statements	
Balance Sheet – Transportation Safety and Investment Plan Account Fund	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Transportation Safety and Investment Plan Account Fund	5
Notes to Basic Financial Statements	6
Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	9
Independent Auditor’s Reports	
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	10
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 <i>Government Auditing Standards</i> and TAMC Ordinance No. 2019-01 Transportation Safety and Investment Plan Fund	12



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council of the
City of Monterey, California

Report on the Financial Statements

Opinion

We have audited the financial statements of the Transportation Safety and Investment Plan Account Fund (the "Fund"), a nonmajor special revenue fund of the City of Monterey, California (the "City") as of and for the year ended June 30, 2024, 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, as of June 30, 2024, 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 Opinion

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 (*Government Auditing Standards*). 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 opinion.

Emphasis of Matter

As discussed in Notes 1 to 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 as of June 30, 2024, the changes in its financial position or its cash flows for the 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

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.

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 opinion. 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.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Transportation Safety and Investment Plan Account Fund of the City. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 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 March 6, 2025, on our consideration of the Transportation Safety and Investment Plan Account Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

A handwritten signature in cursive script that reads "Eric Bailey LLP".

Menlo Park, California
March 6, 2025

FINANCIAL STATEMENTS

City of Monterey
Transportation Safety and Investment Plan Account Fund
Balance Sheet – Transportation Safety and Investment Plan Account Fund
June 30, 2024

	Measure X Fund
Assets:	
Cash and investments	\$ 5,569,186
Accounts receivable - net	330,873
Total assets	<u>\$ 5,900,059</u>
Liabilities, Deferred Inflow of Resources and Fund Balance	
Liabilities:	
Accounts payable and other current liabilities	\$ 47,148
Deferred Inflow of Resources	
Unavailable Revenues	330,873
Fund Balance:	
Restricted	5,522,038
Total Liabilities, deferred inflow of resources, and fund balance	<u>\$ 5,900,059</u>

City of Monterey

Transportation Safety and Investment Plan Account Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances – Transportation Safety and Investment
Plan Account Fund
Year Ended June 30, 2024

	Measure X Fund
Revenues:	
Intergovernmental	\$ 1,335,903
Use of money and property	<u>158,770</u>
Total revenues	<u>1,494,673</u>
Other financing sources or (uses):	
Transfers out	<u>(906,169)</u>
Net change in fund balances	588,504
Fund balance, beginning of year	<u>4,933,534</u>
Fund balance, end of year	<u><u>\$ 5,522,038</u></u>

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Transportation Safety and Investment Plan Account Fund City of Monterey, California ("City") have been prepared in conformity with Generally Accepted Accounting Principles ("GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The Transportation Safety and Investment Plan Account Fund from the Transportation Agency for Monterey County ("TMAC") was approved on November 8, 2016. The revenue from the Measure X 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 of Monterey, California (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 (the "Fund") of the City and do not purport to, and do not present, the City's financial position and changes in financial position. The City of Monterey's basic financial statements are available from the Finance Department at City's address and website.

Basis of Accounting and Measurement Focus

The operations of the Transportation Safety and Investment Plan Account Fund are accounted in a non-major special revenue fund, in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Transportation Safety and Investment Plan Account funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current resources. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Generally, revenues are considered available if they are collected within 60 days after fiscal year end. If revenues are not subject to accrual, they are recorded when received in cash. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Use of Restricted Fund Balance

Fund Balance Flow Assumptions

In order to calculate the amounts to report as restricted fund balance in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance.

Cash, Cash Equivalents, and Investments

For purposes of the Balance Sheet, cash and cash equivalents include currency on hand and deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. The City's cash and investments are stated at fair value, which is based on a quoted market price. This includes all investments except the City's investment in the California Local Agency Investment Fund ("LAIF"). The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The City valued its investments in LAIF at June 30, 2024, by multiplying its balance by a fair value factor determined by LAIF. This fair value factor was calculated by dividing the total fair value for all participants by the total amortized cost.

Fund Balances

Restricted – This category consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Note 2 - Cash Deposits and Investments

Cash and investments held by the Transportation Safety and Investment Plan Account Fund at June 30, 2024, consisted of \$5,569,186 in cash pooled with the City's Cash and Investments.

Investments authorized by the California Government Code and the City of Monterey's investment policy:

Allowable investment instruments are defined in the California Government Code Section 53600, et. seq., as amended. If the Code is further revised to allow additional investments or is changed regarding the limits on certain categories of investments, the City is authorized to conform to these changes, excluding those changes that may be prohibited by this policy. Where the Government Code specifies a percentage limitation for a particular category of investments, that percentage is applicable only at the date of purchase. The City's pool is not rated and is not registered with the SEC. The City's average maturity of its investments is less than one year.

Note 3 - Maintenance of Effort

The Measure X Master Programs Funding Agreement between the City of Monterey and the TAMC 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.

Maintenance of Effort: \$3,444,596

Total expenditures from the general fund for street and highway purposes for the fiscal year ended June 30, 2024 was \$4,206,817. The City was in compliance with the Maintenance of Effort requirement of the Measure X Master Programs Funding Agreement between the City of Monterey and the TAMC.

SUPPLEMENTARY INFORMATION

City of Monterey

Transportation Safety and Investment Plan Account Fund

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

Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Final Budget
	Original	Final	(Budgetary)	Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,313,934	\$ 1,313,934	\$ 1,335,903	\$ 21,969
Use of money and property	54,487	54,487	158,770	104,283
Total revenues	1,368,421	1,368,421	1,494,673	126,252
Other financing sources (uses):				
Transfers out	-	-	(906,169)	(906,169)
Net change in fund balances	1,368,421	1,368,421	588,504	(779,917)
Fund balance, beginning of the year	4,933,534	4,933,534	4,933,534	-
Fund balance, end of year	<u>\$ 6,301,955</u>	<u>\$ 6,301,955</u>	<u>\$ 5,522,038</u>	<u>\$ (779,917)</u>



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

To the Honorable Mayor and Members of City Council
of the City of Monterey, California

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 Safety and Investment Plan Account Fund (Fund) of the City of Monterey, California (City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated Report March 6, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund'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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 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, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transportation Safety and Investment Plan Account Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements including the applicable compliance requirements specified in the Transportation Safety and Investment Plan Account agreement between the City and Monterey Regional Transportation Commission, 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* or the Transportation Safety and Investment Plan Account agreement.

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California
March 6, 2025



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 and TAMC Ordinance No. 2019-01 Transportation Safety and Investment Plan Fund

To the Honorable Mayor and Members of City Council
of the City of Monterey, California

Report on Compliance

Opinion on Compliance

We have audited the City of Monterey, California's (City) compliance with the requirements specified in the Transportation Agency's for Monterey County's (TAMC) Ordinance No. 2019-01 and the Measure X Master Programs Funding Agreement between TAMC and the City (Agreement) for the year ended June 30, 2024.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to the Agreement for the year ended June 30, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), 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 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. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management 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, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's Measure X program.

Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the Measure X program as a whole.

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 noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with *Government Auditing Standards*, but not for the purpose of expressing an opinion on the effectiveness of the City's internal controls over compliance. Accordingly, we express no such opinion; and:

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the compliance requirements stipulated in the Agreement. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California
March 6, 2025