

**CITY OF DEL REY OAKS**

**TRANSPORTATION SAFETY AND  
INVESTMENT PLAN ACCOUNT FUND**

**WITH INDEPENDENT  
AUDITORS' REPORT**

**JUNE 30, 2024**

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**Chavan & Associates, LLP**  
Certified Public Accountants  
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Morgan Hill, CA 95037

**CITY OF DEL REY OAKS**  
**Transportation Safety and Investment Plan Account Fund**  
**June 30, 2024**

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## **FINANCIAL SECTION**



## 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, 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 of Del Rey Oaks, 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 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, 2024, 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.



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



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 6, 2024, 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, 2024. 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 6, 2024  
Morgan Hill, California

**City of Del Rey Oaks**  
**Transportation Safety and Investment Plan Accounting Fund**  
**Balance Sheet**  
**June 30, 2024**

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**ASSETS**

Cash and investments	\$	56,491
Taxes receivable		<u>18,106</u>
<b>Total assets</b>	<b>\$</b>	<b><u>74,597</u></b>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable	\$	<u>1,199</u>
<b>Total liabilities</b>		<u>1,199</u>

**Fund Balances:**

Restricted		<u>73,398</u>
<b>Total fund balances</b>		<u>73,398</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$</b>	<b><u>74,597</u></b>

*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, 2024**

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**REVENUES**

Transportation Safety and Investment Plan Account revenue	\$ 98,018
<b>Total Revenues</b>	<u>98,018</u>

**EXPENDITURES**

Capital outlay	40,679
Debt service	
Principal	77,503
Interest and fiscal charges	<u>20,977</u>
<b>Total Expenditures</b>	<u>139,159</u>

Net Change in Fund Balance	(41,141)
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Fund Balance Beginning	<u>114,539</u>
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Fund Balance Ending	<u>\$ 73,398</u>
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*The accompanying notes are an integral part of these financial statements*

**City of Del Rey Oaks**  
**Transportation Safety and Investment Plan Account Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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**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.

**City of Del Rey Oaks**  
**Transportation Safety and Investment Plan Account Fund**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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**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	<u>\$ 112,166</u>
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%
Index-adjusted maintenance of effort requirement	<u>\$ 72,032</u>
Current year eligible expenditures	\$ 251,748
Compliant (Yes or No)	Yes

Total expenditures from the general fund for street and highway purposes for the fiscal year ended June 30, 2024 was \$251,748. 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, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Transportation Safety and Investment Plan Account revenue	\$ 94,400	\$ 94,400	\$ 98,018	\$ 3,618
<b>Total Revenues</b>	<u>94,400</u>	<u>94,400</u>	<u>98,018</u>	<u>3,618</u>
<b>EXPENDITURES</b>				
Capital outlay	-	109,500	40,679	68,821
Debt service				
Principal	80,400	80,400	77,503	2,897
Interest and fiscal charges	14,000	14,000	20,977	(6,977)
<b>Total Expenditures</b>	<u>94,400</u>	<u>203,900</u>	<u>139,159</u>	<u>64,741</u>
Net Changes in Fund Balance	-	(109,500)	(41,141)	68,359
Fund Balance Beginning	<u>114,539</u>	<u>114,539</u>	<u>114,539</u>	<u>-</u>
Fund Balance Ending	<u>\$ 114,539</u>	<u>\$ 5,039</u>	<u>\$ 73,398</u>	<u>\$ 68,359</u>

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, 2024, 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 6, 2024.

**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.



### **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 6, 2024  
Morgan Hill, California



**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, 2024.

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, 2024.

***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.



***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 6, 2024  
Morgan Hill, California