

**CITY OF SIMI VALLEY, CALIFORNIA**

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

Financial Statements

Fiscal Years Ended June 30, 2019 and 2018

# CITY OF SIMI VALLEY, CALIFORNIA

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

Fiscal Years Ended June 30, 2019 and 2018

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Board of Commissioners  
Ventura County Transportation Commission  
Ventura, California

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund ("TDA Fund") of the City of Simi Valley, California ("City"), as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matters**

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2019 and 2018, the changes in its financial position, or, where applicable, 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the City, as of June 30, 2019 and 2018, and the change in financial position of the TDA Fund of the City for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2020 on our consideration of the City's internal control over financial reporting for the TDA Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Lake Forest, California  
January 28, 2020

**CITY OF SIMI VALLEY, CALIFORNIA**

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

Comparative Balance Sheets

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash and investments (Note 3)	\$ 273,858	\$ 193,423
Interest receivable	<u>1,414</u>	<u>822</u>
Total assets	<u>\$ 275,272</u>	<u>\$ 194,245</u>
 <u>Liabilities and fund balance</u>		
Accounts payable	<u>\$ 27,107</u>	<u>\$ -</u>
Total liabilities	<u>27,107</u>	<u>-</u>
Fund balance - restricted	<u>248,165</u>	<u>194,245</u>
Total liabilities and fund balance	<u>\$ 275,272</u>	<u>\$ 194,245</u>

See accompanying notes to financial statements.

**CITY OF SIMI VALLEY, CALIFORNIA**

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

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

Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues:		
TDA Article 3 funds	\$ 187,687	\$ 26,271
Interest income	<u>5,275</u>	<u>2,755</u>
Total revenues	<u>192,962</u>	<u>29,026</u>
Expenditures:		
Construction, maintenance, and engineering	<u>27,107</u>	<u>26,271</u>
Total expenditures	<u>27,107</u>	<u>26,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,855</u>	<u>2,755</u>
Other financing sources (uses):		
Transfers out	<u>-</u>	<u>(25,000)</u>
Total transfers	<u>-</u>	<u>(25,000)</u>
Net change in fund balance	<u>165,855</u>	<u>(22,245)</u>
Fund balance at beginning of year, as previously reported	194,245	216,490
Prior period adjustment (Note 7)	<u>(111,935)</u>	<u>-</u>
Fund balance at beginning of year, as restated	<u>82,310</u>	<u>216,490</u>
Fund balance at end of year	<u>\$ 248,165</u>	<u>\$ 194,245</u>

See accompanying notes to financial statements.

# CITY OF SIMI VALLEY, CALIFORNIA

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

Notes to Financial Statements

Fiscal Years Ended June 30, 2019 and 2018

## (1) **General Information**

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

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

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

### Fund Accounting

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

### Measurement Focus and Basis of Accounting

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



# CITY OF SIMI VALLEY, CALIFORNIA

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Notes to Financial Statements

Fiscal Years Ended June 30, 2019 and 2018

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

### Revenue Recognition

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

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

### Fund Balance

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

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

# CITY OF SIMI VALLEY, CALIFORNIA

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

Notes to Financial Statements

Fiscal Years Ended June 30, 2019 and 2018

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

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

### Use of Estimates

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

## (3) **Cash and Investments**

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The TDA Fund's cash and investments as of June 30, 2019 and 2018 were \$273,858 and \$193,423, respectively.

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

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

## (4) **Restrictions**

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

**CITY OF SIMI VALLEY, CALIFORNIA**

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Notes to Financial Statements

Fiscal Years Ended June 30, 2019 and 2018

**(5) Contingencies**

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

**(6) Budgetary Data**

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

**(7) Prior Period Adjustment**

The City determined the previously reported Article 3 fund balance of \$194,245 as of June 30, 2018 was misstated. The City recorded a prior period adjustment as of July 1, 2018 to correct this misstatement, which was a result of the City not reimbursing the Streets and Roads Fund with Article 3 funds for projects budgeted to be partially paid by Article 3 funds. In addition, the City identified match components that also needed to be corrected to ensure compliance with the local match requirements. The corrections needed, based on research conducted, resulted in an updated beginning fund balance of \$82,310, as shown below. In addition, there were prior period adjustments to the match expenditures in the amount of \$155,759. See details of the prior period adjustments on the Schedule of Status of Funds by Project within the Supplemental Data section of this report.

**Summary of Unexpended Funds**

<b>Project</b>	<b>Program Year</b>	<b>June 30, 2018</b>	<b>July 1, 2018</b>	<b>Change</b>
Sidewalk and Curb Ramp Construction	2011-2012	\$ -	\$ 8,171	(\$ 8,171)
Arroyo Simi (Phase II) Traffic Signal Mod.	2012-2013	78,658	-	78,658
Arroyo Simi Greenway (Phase II additional)	2014-2015	93,477	58,160	35,317
Arroyo Simi Greenway (Phase 3)	2015-2016	<u>6,131</u>	<u>-</u>	<u>6,131</u>
	Subtotal	178,266	66,331	111,935
	Accumulated interest	<u>15,979</u>	<u>15,979</u>	<u>-</u>
	Fund balance	<u>\$ 194,245</u>	<u>\$ 82,310</u>	<u>\$ 111,935</u>

## Supplemental Data

**CITY OF SIMI VALLEY, CALIFORNIA**

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

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

Fiscal Year Ended June 30, 2019

	Budget		Actual	Variance From
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
Revenues:				
TDA Article 3 funds	\$ 25,000	\$ 25,000	\$ 187,687	\$ 162,687
Interest income	500	500	5,275	4,775
Total revenues	<u>25,500</u>	<u>25,500</u>	<u>192,962</u>	<u>167,462</u>
Expenditures:				
Construction, maintenance, and engineering	<u>24,000</u>	<u>27,107</u>	<u>27,107</u>	<u>-</u>
Total expenditures	<u>24,000</u>	<u>27,107</u>	<u>27,107</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,500</u>	<u>(1,607)</u>	<u>165,855</u>	<u>167,462</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,500</u>	<u>\$ (1,607)</u>	165,855	<u>\$ 167,462</u>
Fund balance at beginning of year, as previously reported			194,245	
Prior period adjustment (Note 7)			<u>(111,935)</u>	
Fund balance at beginning of year, as restated			<u>82,310</u>	
Fund balance at end of year			<u>\$ 248,165</u>	

**CITY OF SIMI VALLEY, CALIFORNIA**

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

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

Fiscal Year Ended June 30, 2018

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
TDA Article 3 funds	\$ 85,000	\$ 85,000	\$ 26,271	\$ (58,729)
Interest income	<u>100</u>	<u>100</u>	<u>2,755</u>	<u>2,655</u>
Total revenues	<u>85,100</u>	<u>85,100</u>	<u>29,026</u>	<u>(56,074)</u>
Expenditures:				
Construction, maintenance, and engineering	<u>25,000</u>	<u>25,000</u>	<u>26,271</u>	<u>(1,271)</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>26,271</u>	<u>(1,271)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,100</u>	<u>60,100</u>	<u>2,755</u>	<u>(57,345)</u>
Other financing sources (uses):				
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(25,000)</u>	<u>35,000</u>
Total transfers	<u>(60,000)</u>	<u>(60,000)</u>	<u>(25,000)</u>	<u>35,000</u>
Net change in fund balance	<u>\$ 100</u>	<u>\$ 100</u>	(22,245)	<u>\$ (22,345)</u>
Fund balance at beginning of year			<u>216,490</u>	
Fund balance at end of year			<u>\$ 194,245</u>	

CITY OF SIMI VALLEY, CALIFORNIA

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

Schedule of Status of Funds by Project

Fiscal Year Ended June 30, 2019

Program	Year	LTF Allocations	Required Local Match	Approved	Notes	Local Match Transfer (6)	LTF	Current Year LTF Expenditures	Current Year Local Match Expenditures	Prior Years LTF Expenditures	(3)	Prior Years Local Match Expenditures	(3)	Unexpended LTF	Program Status
				Transfer/Accrued Interest Applied			Allocations/Transfers and Local Match				Prior Period Adjustment - LTF		Prior Period Adjustment - Local Match		
Sidewalk and Curb Ramp Construction	2011-12	\$ 20,000	\$ 20,000	\$ (3,658)	(1)	\$ (3,658)	\$ 32,684	\$ -	\$ -	\$ 16,342	\$ (8,171)	\$ -	\$ 8,171	\$ 8,171	Open (3)
Arroyo Simi (Phase II) Traffic Signal Modification Project	2012-13	75,000	75,050	3,658	(1)	3,658	157,366	-	-	-	78,658	-	78,708	-	Closed (3)
Widen LA Ave between Hidden Ranch Road & Stearns	2013-14	75,000	75,000	(15,477)	(2)	(15,477)	119,046	-	-	59,523	-	59,522	-	-	Closed
Arroyo Simi Greenway (Phase II additional)	2014-15	78,000	78,000	15,477	(2)	15,477	186,954	-	-	-	35,317	-	-	58,160	Open
Arroyo Simi Greenway (Phase 3)	2015-16	50,000	1,330,000	-	-	-	1,380,000	-	66,500	43,869	6,131	1,166,923	68,880	-	Open (5)
Widen West LA Ave between PSC & Western City Limits	2018-19	160,580	-	-	-	-	160,580	-	-	-	-	-	-	160,580	Open
Bicycle Path Maintenance - Class I	2018-19	27,107	-	-	-	-	27,107	27,107	-	-	-	-	-	-	Closed
<b>Total</b>		<b>\$ 485,687</b>	<b>\$ 1,578,050</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ 2,063,737</b>	<b>\$ 27,107</b>	<b>\$ 66,500</b>	<b>\$ 119,734</b>	<b>\$ 111,935</b>	<b>\$ 1,226,445</b>	<b>\$ 155,759</b>	<b>\$ 226,911</b>	
Unexpended interest accumulated to date														21,254	
Fund balance at June 30, 2019														<b>\$ 248,165</b>	

- Notes:**
- (1) - Transfer unused 2011-12 funds from the installation of missing sidewalk section at Los Angeles Avenue and Stow Street intersection project. VCTC approval letter was dated March 6, 2016.
  - (2) - The City of Simi Valley received approval from VCTC on March 9, 2016 to transfer TDA Article 3 funding from Fiscal Year 2013-14 closed bicycle projects to Fiscal Year 2014-15's Arroyo Simi Greenway project.
  - (3) - The City determined the previously reported Article 3 funds of \$194,245 as of June 30, 2018 were misstated. The City recorded a prior period adjustment as of July 1, 2018 to correct this misstatement, which was a result of the City not reimbursing the Streets and Roads Fund with Article 3 funds for projects budgeted to be partially paid by Article 3 funds. In addition, the City identified match components that also needed to be corrected to ensure compliance with the local match requirements. See footnote 7 within the notes to the financial statements.
  - (4) - The City did not meet its 50% local match requirement of \$35,317 for the program year 2014-15 Arroyo Simi Greenway (Phase II additional) project. In Fiscal Year 2019-20, the City's public works department will process a release of trust funds to satisfy the match. Once completed, the local match expenditures component of \$35,317 will be reflected on the schedule above.
  - (5) - The City expended the LTF allocation of \$50,000, however, the program status remains "Open" as the City still has a pending local match requirement of \$27,697 outstanding, which, once completed, will satisfy the total local match requirement of \$1,330,000. The City plans to satisfy the remaining local match requirement in Fiscal Year 2019-20.
  - (6) - Local Match Transfer column was added to provide a complete picture regarding updated match requirements.



Board of Commissioners  
Ventura County Transportation Commission  
Ventura, California

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Transportation Development Act Local Transportation Fund pursuant to Article 3 ("TDA Fund") of the City of Simi Valley, California ("City"), as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the City's TDA Fund financial statements, and have issued our report thereon dated January 28, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses, which are described in the accompanying schedule of findings (Findings # 1, 2 and 3).



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the TDA Fund of the City are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including §6666 of Part 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including §6666 of Part 21 of the California Code of Regulations, which are described in the accompanying schedule of findings (Finding # 1 and 2).

### **Purpose of this Report**

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



Lake Forest, California  
January 28, 2020

# CITY OF SIMI VALLEY, CALIFORNIA

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

Findings and Recommendations

Fiscal Year Ended June 30, 2019

## (1) **Need to Follow City Procurement Policy**

The City did not follow its Purchasing Process when contracting with Rancho Simi Recreation and Park District (“RSRPD”) for bicycle path maintenance services. The City’s Purchasing Process required that maintenance services with an estimated cost over \$7,500 go through open market bidding. However, bicycle path maintenance services for fiscal year 2019 were \$27,107, but there was no open market bidding performed for the services provided by RSRPD.

The City Purchasing Process states, in part:

### **“OPEN MARKET BIDDING (above \$7,500 up to \$45,000)**

*Competitive bids for equipment, materials, supplies, maintenance services, or Public Projects estimated to cost above \$7,500 up to \$45,000 are normally obtained by contacting vendors directly via telephone or e-mail; however, they may also be obtained by a written process including facsimile, mail, or a bid notice posted on the City’s website. Bids are solicited from a representative list of qualified suppliers. This list should contain the names of only those suppliers with whom the City might want to place an order.*

- *Contact at least three (3) vendors for price quotations.*
- *Do not request bids from suppliers with whom you have no intention of placing an order.*
- *Contact at least one Simi Valley area vendor if equipment, materials, supplies, or maintenance services can be obtained locally.*
- *Award the bid to the lowest, most responsive and responsible bidder. (Note: a 5% local business preference is given to qualified local businesses for the purchase of supplies, equipment, and materials. ...*
- *Contact unsuccessful bidders with bid results. Issue a purchase order to the vendor through the standard requisition process. ...”*

### **Recommendation**

We recommend that the City ensure that they abide by their Purchasing Process. This includes selecting vendors through open market bidding, or maintain documentation for sole source justification, where open market bidding is not feasible.

### **Management Response**

Management concurs with the audit finding and will implement the recommendation to abide by the City’s Purchasing Process. This includes selecting vendors through open market bidding, or maintaining documentation for sole source justification, where open market bidding is not feasible.

# CITY OF SIMI VALLEY, CALIFORNIA

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

Findings and Recommendations

Fiscal Year Ended June 30, 2019

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

The invoices provided by RSRPD did not indicate the pedestrian or bicycle paths that were maintained by them. Additionally, the City did not monitor expenditure for eligible uses or follow up with RSRPD to determine if TDA 3 funds were spent in their entirety on approved expenditures or projects.

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

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

**Recommendation**

We recommend that the City implement review procedures to ensure TDA 3 expenditures are recorded accurately, reviewed for compliance with TDA 3 eligible uses, and spent in their entirety.

**Management Response**

Management concurs with the audit finding and will implement the recommendation to create review procedures that ensure TDA 3 expenditures are recorded accurately, reviewed and monitored for compliance with TDA 3 eligible uses, and spent in its entirety.

(3) **Need to Track Project Expenditure**

The City did not keep accurate track of TDA 3 LTF and match expenditures on a timely basis. This resulted in a prior period adjustment being posted that impacted project expenditure for fiscal years 2012, 2013, 2015, and 2016. See Note 7 of the report and Note 3 of the Schedule of Status of Funds for details.

**Recommendation**

We recommend that the City implement better internal controls to track TDA 3 expenditures and match expenditures, and review procedures to ensure TDA 3 expenditures are accurately recorded in the correct fund, and reviewed for accuracy. The City should ensure it complies with the funding agreement terms of the match requirement each year.

**Management Response**

Management concurs with the audit finding and will execute the recommendation for the City to implement better internal controls to track both TDA 3 funded expenditures and local match funded expenditures. The City will monitor and review procedures in place to ensure TDA 3 expenditures are accurately recorded in the correct fund, are reviewed for

**CITY OF SIMI VALLEY, CALIFORNIA**

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

Findings and Recommendations

Fiscal Year Ended June 30, 2019

**(3) Need to Track Project Expenditure (Continued)**

accuracy, and comply with the funding agreement terms of the match requirement each year.