

**CITY OF ARROYO GRANDE
AUDIT REPORT OF THE
TRANSPORTATION DEVELOPMENT ACT
TRANSPORTATION FUND
JUNE 30, 2022 AND JUNE 30, 2021**

CITY OF ARROYO GRANDE

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INDEPENDENT AUDITORS' REPORT

City Council of the City of Arroyo Grande
Arroyo Grande, California

Opinions

We have audited the financial statements of the City of Arroyo Grande's Transportation Fund as of and for the fiscal years ended June 30, 2022 and June 30, 2021, 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 City of Arroyo Grande's Transportation Fund as of June 30, 2022 and June 30, 2021, and the changes in financial position thereof for the fiscal years 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. 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 of Arroyo Grande 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Transportation Fund and do not purport to, and do not, present fairly the financial position of the City of Arroyo Grande as of June 30, 2022 and June 30, 2021, and the changes in its financial position, for the fiscal years 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.

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 of Arroyo Grande's Transportation Fund'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 as a whole 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 generally accepted 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 generally accepted 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 of Santa Barbara'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Arroyo Grande Transportation Fund's ability to continue as a going concern for a reasonable period of time.

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.

Mosa, Remy & Hartgen LLP

Santa Maria, California
April 3, 2023

CITY OF ARROYO GRANDE
TRANSPORTATION FUND
BALANCE SHEETS

Sections 99400(a) and 99233.3 of the Public Utilities Code
 June 30, 2022 and June 30, 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and investments	\$ 931,061	\$ 503,512
Interest receivable		
	<u>931,061</u>	<u>503,512</u>
Total assets	<u>\$ 931,061</u>	<u>\$ 503,512</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Total liabilities		
Fund Balance:		
Restricted	<u>931,061</u>	<u>503,512</u>
Total fund balance	<u>931,061</u>	<u>503,512</u>
Total liabilities and fund balance	<u>\$ 931,061</u>	<u>\$ 503,512</u>

See accompanying notes to financial statements

CITY OF ARROYO GRANDE
TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Sections 99400(a) and 99233.3 of the Public Utilities Code
For the Fiscal Years Ended June 30, 2022 and June 30, 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Interest	\$ (11,018)	\$ 789
Intergovernmental TDA Section 99234	17,869	13,198
Intergovernmental TDA Section 99400(a)	<u>653,702</u>	<u>432,961</u>
Total revenues	<u>660,553</u>	<u>446,948</u>
EXPENDITURES		
Maintenance	<u>233,004</u>	<u>240,696</u>
Total expenditures	<u>233,004</u>	<u>240,696</u>
Excess of revenues over expenditures	427,549	206,252
Fund balance, beginning of fiscal year	<u>503,512</u>	<u>297,260</u>
Fund balance, end of fiscal year	<u>\$ 931,061</u>	<u>\$ 503,512</u>

See accompanying notes to financial statements

CITY OF ARROYO GRANDE
TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Sections 99400(a) and 99233.3 of the Public Utilities Code
For the Fiscal Years Ended June 30, 2022 and June 30, 2021

	2022		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Interest	\$ -	\$ (11,018)	\$ (11,018)
Intergovernmental TDA Section 99234	14,000	17,869	3,869
Intergovernmental TDA Section 99400(a)	350,000	653,702	303,702
Total revenues	364,000	660,553	296,553
EXPENDITURES			
Maintenance	233,000	233,004	(4)
Total expenditures	233,000	233,004	(4)
Excess of revenues over expenditures	<u>\$ 131,000</u>	427,549	<u>\$ 296,549</u>
Fund balance, beginning of fiscal year, restated		503,512	
Fund balance, end of fiscal year		<u>\$ 931,061</u>	

	2021		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Interest	\$ -	\$ 789	\$ 789
Intergovernmental TDA Section 99234	13,300	13,198	(102)
Intergovernmental TDA Section 99400(a)	285,000	432,961	147,961
Total revenues	298,300	446,948	148,648
EXPENDITURES			
Maintenance	240,700	240,696	4
Total expenditures	240,700	240,696	4
Excess of revenues over expenditures	<u>\$ 57,600</u>	206,252	<u>\$ 148,652</u>
Fund balance, beginning of fiscal year		297,260	
Fund balance, end of fiscal year		<u>\$ 503,512</u>	

See accompanying notes to financial statements

CITY OF ARROYO GRANDE
TRANSPORTATION FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and June 30, 2021

NOTE 1 – FINANCIAL REPORTING ENTITY

The Transportation Fund is a special revenue fund of the City of Arroyo Grande, and the financial statements of the fund are included in the basic financial statements of the City.

NOTE 2 – BASIS OF ACCOUNTING

The Transportation Fund is accounted for using the modified accrual basis of accounting whereby revenues are recognized when they become both measurable and available to finance expenditures of the current period and expenditures are generally recognized when the related fund liabilities are incurred.

NOTE 3 – ALLOCATIONS

The City of Arroyo Grande’s allocations under Article 8, Section 99400(a) for the fiscal years ended June 30, 2022, and June 30, 2021, were \$653,702 and \$432,961, respectively.

The City of Arroyo Grande’s allocations under Article 3, Section 99233.3 for the fiscal years ended June 30, 2022, and June 30, 2021, were \$17,869 and \$13,198, respectively.

NOTE 4 – INTERNAL ACCOUNTING CONTROL

As part of our audit, we made a study of the City’s system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist in planning and performing the audit of the financial statements. No material weaknesses in the internal control structure were noted.

**INDEPENDENT AUDITORS' REPORT ON
TRANSPORTATION DEVELOPMENT ACT COMPLIANCE**

City Council of the City of Arroyo Grande
Arroyo Grande, California

Report on the Financial Statements

We have audited the financial statements of the City of Arroyo Grande Transportation Fund's compliance with the types of compliance requirements described in the *Transportation Development Act Guidebook*, published by the State of California Department of Transportation applicable for the fiscal year ended June 30, 2022.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the compliance with applicable statutes, rules and regulations of the Transportation Development Act (TDA), Section 99400(a) and 99233.3, the California Code of Regulations (CCR), and the allocation instructions and resolutions of San Luis Obispo Council of Governments as required by Section 6666 of the CCR. Section 6666 requires that for a non-transit claimant, the independent auditor shall perform at least the following tasks: (a) Determine whether the funds received by the claimant pursuant to the Act were expended in conformance with those sections of the Act specifying the qualified purposes, including Public Utilities Code section 99402 for streets and roads claimants and section 99233.3 for claimants under that section for pedestrian and bicycle facilities and bicycle safety education programs, (b) Determine whether the funds received by the claimant pursuant to the Act were expended in conformance with the applicable rules, regulations, and procedures of the transportation-planning agency and in compliance with the allocation instructions, and (c) Determine whether interest earned on funds received by the claimant pursuant to the Act were expended only for those purposes for which the funds were allocated, in accordance with Public Utilities Code sections 99301 and 99301.5. 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; and the *Transportation Development Act Guidebook*. 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.

Opinion on Compliance with the Transportation Development Act

In our opinion, the funds allocated to and received by the City of Arroyo Grande's Transportation Fund, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of the Transportation Development Act and the allocation instructions and resolutions of San Luis Obispo Council of Governments for the fiscal year ended June 30, 2022.

This report is intended solely for the information of the management, the City Council of the City of Arroyo Grande, the San Luis Obispo Council of Governments, and the State Controller's Office and is not intended to be and should not be used by anyone other than those specified parties.

Moss, Levy & Hartzheim LLP

Santa Maria, California
April 3, 2023

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.

Moss, Reny & Spangheim LLP

Santa Maria, California
April 3, 2023

- 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 City of Arroyo Grande's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Arroyo Grande'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Arroyo Grande's internal control over compliance. Accordingly, no such opinion is expressed.

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 with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program 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 with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditure of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Arroyo Grande, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the City of Arroyo Grande' basic financial statements. We issued our report thereon April 3, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is 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 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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss, King & Spilgrain LLP

Santa Maria, California
April 3, 2023