

**CITY OF VISALIA
TRANSPORTATION DEVELOPMENT ACT FUNDS AND
MEASURE R TRANSPORTATION FUNDS**

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2023
WITH COMPARATIVE TOTALS**

**CITY OF VISALIA
TRANSPORTATION DEVELOPMENT ACT FUNDS AND
MEASURE R TRANSPORTATION FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tulare County Association of Governments
Visalia, California

To the City Council
City of Visalia
Visalia, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Measure R Revenue Fund (the Measure R Fund) and the Local Transportation Fund and the Transit Fund (collectively, the Transportation Development Act (TDA) Funds) of the City of Visalia (the City), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's Measure R Fund's and TDA Funds' basic financial statements as listed in the table of contents. The June 30, 2022, summarized comparative information has been derived from the 2022 financial statements and is included for additional analysis only.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure R Fund and TDA Funds, as of June 30, 2023, and the respective changes in financial position, thereof for the fiscal 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 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 Tulare County Association of Governments, 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 a Matter

As discussed in Note 1, these financial statements present only the Measure R Fund and TDA Funds and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, the changes in its financial position 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

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 Measure R Fund and TDA Funds' 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 relating to the Measure R Fund and TDA Funds. 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 Measure R Fund and TDA Funds' 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.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis, Budgetary Comparison Schedules, the Schedule of the City Transit Fund's Proportionate Share of the City's Net Pension Liability, and the Schedule of Contributions 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, on our consideration of the City's internal control over financial reporting relating to the Measure R Fund and TDA Funds 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 relating to the Measure R Fund and TDA Funds 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 relating to the Measure R Fund and TDA Funds. 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 relating to the Measure R Fund and TDA Funds.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
March 27, 2024

**CITY OF VISALIA
LOCAL TRANSPORTATION REVENUE FUND
BALANCE SHEET
JUNE 30, 2023
WITH COMPARATIVE TOTALS**

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 3,811,463	\$ 3,149,994
Restricted cash and cash equivalents	600,962	600,962
Due from other governments	<u>385,776</u>	<u>94,565</u>
TOTAL ASSETS	<u><u>\$ 4,798,201</u></u>	<u><u>\$ 3,845,521</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	<u>\$ 93,650</u>	<u>\$ 34,122</u>
TOTAL LIABILITIES	<u>93,650</u>	<u>34,122</u>
FUND BALANCE		
Restricted by:		
Laws and regulations of other governments	<u>4,704,551</u>	<u>3,811,399</u>
FUND BALANCE	<u>4,704,551</u>	<u>3,811,399</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 4,798,201</u></u>	<u><u>\$ 3,845,521</u></u>

**CITY OF VISALIA
LOCAL TRANSPORTATION REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS**

	<u>2023</u>	<u>2022</u>
REVENUES		
Local transportation funds	\$ 275,000	\$ -
Other grants	478,563	1,471,650
Other revenues	200,339	2,193
Interest	<u>43,996</u>	<u>(100,706)</u>
 TOTAL REVENUES	 <u>997,898</u>	 <u>1,373,137</u>
 EXPENDITURES		
Construction and maintenance	103,580	2,191,014
Administration	<u>1,166</u>	<u>669</u>
 TOTAL EXPENDITURES	 <u>104,746</u>	 <u>2,191,683</u>
 Net change in fund balance	 <u>893,152</u>	 <u>(818,546)</u>
 Fund balance, beginning	 <u>3,811,399</u>	 <u>4,629,945</u>
 Fund balance, ending	 <u><u>\$ 4,704,551</u></u>	 <u><u>\$ 3,811,399</u></u>

**CITY OF VISALIA
MEASURE R REVENUE FUND
BALANCE SHEET
JUNE 30, 2023
WITH COMPARATIVE TOTALS**

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 13,744,785	\$ 9,990,616
Due from other governments	<u>3,478,854</u>	<u>709,403</u>
TOTAL ASSETS	<u><u>\$ 17,223,639</u></u>	<u><u>\$ 10,700,019</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 214,291	\$ 57,715
Due to other City funds	2,366,664	392,008
Grant advances	<u>1,352,843</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,933,798</u>	<u>449,723</u>
FUND BALANCE		
Restricted by:		
Laws and regulations of other governments	<u>13,289,841</u>	<u>10,250,296</u>
FUND BALANCE	<u>13,289,841</u>	<u>10,250,296</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 17,223,639</u></u>	<u><u>\$ 10,700,019</u></u>

**CITY OF VISALIA
MEASURE R REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS**

	<u>2023</u>	<u>2022</u>
REVENUES		
Measure R transportation funds	\$ 4,171,564	\$ 4,036,734
Measure R trailway and special projects funds	3,322,198	1,460,731
Other revenue	44	11
Interest	<u>126,166</u>	<u>(242,093)</u>
 TOTAL REVENUES	 <u>7,619,972</u>	 <u>5,255,383</u>
 EXPENDITURES		
Local program	583,938	535,375
Trailway	616,133	522,617
Special projects	<u>3,380,356</u>	<u>1,708,649</u>
 TOTAL EXPENDITURES	 <u>4,580,427</u>	 <u>2,766,641</u>
 Net change in fund balance	 <u>3,039,545</u>	 <u>2,488,742</u>
 Fund balance, beginning	 <u>10,250,296</u>	 <u>7,761,554</u>
 Fund balance, ending	 <u><u>\$ 13,289,841</u></u>	 <u><u>\$ 10,250,296</u></u>

**CITY OF VISALIA
TRANSIT FUND
BALANCE SHEET
JUNE 30, 2023
WITH COMPARATIVE TOTALS**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 37,111,194	\$ 35,817,870
Accounts receivable	322,547	398,740
Due from other governments	<u>15,315,141</u>	<u>11,684,273</u>
Total current assets	<u>52,748,882</u>	<u>47,900,883</u>
Capital assets, net of accumulated depreciation	<u>30,649,501</u>	<u>33,290,194</u>
TOTAL ASSETS	<u><u>\$ 83,398,383</u></u>	<u><u>\$ 81,191,077</u></u>
 LIABILITIES AND FUND BALANCE		
Accounts payable and compensated absences	\$ 1,769,720	\$ 2,520,542
Deferred pension and lease liability	1,908,076	1,913,945
Grant advances	<u>3,924,765</u>	<u>2,856,360</u>
TOTAL LIABILITIES	<u>7,602,561</u>	<u>7,290,847</u>
 Fund Balance		
Restricted by:		
Laws and regulations of other government	<u>75,795,822</u>	<u>73,900,230</u>
TOTAL LIABILITES AND FUND BALANCE	<u><u>\$ 83,398,383</u></u>	<u><u>\$ 81,191,077</u></u>

**CITY OF VISALIA
TRANSIT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Fares	\$ 1,126,387	\$ 978,045
Other operating revenues	<u>3,035,836</u>	<u>2,866,783</u>
Total operating revenues	<u>4,162,223</u>	<u>3,844,828</u>
OPERATING EXPENDITURES		
Maintenance and operations	16,171,549	15,706,207
Salaries and employee benefits	1,115,165	787,846
Depreciation	<u>2,645,218</u>	<u>2,935,953</u>
Total operating expenditures	<u>19,931,932</u>	<u>19,430,006</u>
Deficiency of revenues under expenditures	<u>(15,769,709)</u>	<u>(15,585,178)</u>
NONOPERATING REVENUES (EXPENDITURES)		
State Transit Assistance	1,624,497	880,357
Capital Revenue	8,598,163	7,109,800
Measure R	783,200	783,200
Federal Transit Assistance	6,456,206	8,206,240
Other grants	47,413	665,832
Rental of facilities	235,079	251,593
Interest income (expense)	438,974	(1,129,490)
Other income	(407,149)	1,282,742
Other expenses	<u>(111,082)</u>	<u>(293,448)</u>
Net Change in Fund Balance	<u>1,895,592</u>	<u>2,171,648</u>
Fund balance, beginning	<u>73,900,230</u>	<u>71,728,582</u>
Fund balance, ending	<u><u>\$ 75,795,822</u></u>	<u><u>\$ 73,900,230</u></u>

**CITY OF VISALIA
TRANSPORTATION DEVELOPMENT ACT FUNDS AND
MEASURE R TRANSPORTATION FUNDS
NOTES TO THE FUND FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Measure R Revenue Fund (the Measure R Fund) and the Local Transportation Revenue Fund and the Transit Fund (collectively, the Transportation Development Act (TDA) Funds) of the City of Visalia (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the City are described below.

Measure R

The Tulare County Transportation Authority (the Authority), a component unit of the Tulare County Association of Governments, California, was established on August 7, 2006. The primary purpose of the Authority is to impose within the incorporated and unincorporated territory of Tulare County a retail transaction and use tax for transportation purposes in accordance with the provisions as provided in Division 19 (commencing with Section 180000) of the California Public Utilities Code and Part 1.6 (commencing with Section 7251) of Division 2 of the California Revenue and Taxation Code.

The tax rate shall be one-half of one percent (0.5%) per dollar for a period of thirty (30) years commencing on the operative date of this ordinance (Measure R). This tax shall be in addition to any other taxes authorized by law, including any existing or future state or local sales tax or transactions and use taxes.

The revenue derived from the tax shall be used for transportation purposes only and may include, but is not limited to, the administration of the Measure R Expenditure Plan. These purposes include expenditures for planning, environmental review, engineering and design costs, related special and expert consulting costs, and related right-of-way acquisition and associated administrative and legal costs.

A. Reporting Entity

The financial statements are intended to reflect the financial position, results of operation, and compliance of the Measure R Fund and the TDA Funds allocated for non-transit and transit purposes of the City with the laws, rules, and regulations of the TDA, Measure R, certain bond act requirements, and the Tulare County Association of Governments. They do not present fairly the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

The Measure R Fund and TDA Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

C. Measurement Focus and Basis of Accounting

The Measure R Fund and TDA Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available, and expenditures are recognized when the fund liabilities are incurred. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. The City uses an availability period of 60 days. Revenues that are susceptible to accrual include Local Transportation Fund (LTF) allocations and interest income.

The Measure R Fund and TDA Funds report unearned revenue on their balance sheets. Unearned revenue for these funds arises when potential revenue does not meet the “measurable” and “available” criteria for recognition in the current period or when resources are received in advance of meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the City has legal claim to resources, the liability for unearned revenue is removed from the balance sheets and revenue is recognized.

No new accounting policies were adopted, and the application of existing policies was not changed during the year.

D. Cash and Cash Equivalents

All City monies are invested in a cash and investments pool, whereby funds can spend cash at any time without prior notice or penalty.

E. Fund Balance

The Measure R Fund and TDA Funds financial statements utilize a fund balance representation. Fund balance is categorized as follows:

Restricted Fund Balance – This category represents amounts with constraints placed on the use of the resource that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

F. Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the City acquires additional capital assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts essentially spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimates. In the case of donations, capital assets are valued at their estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	25 to 50 years
Improvements other than buildings	10 to 20 years
Machinery, equipment, and vehicles	3 to 10 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Grants

Grant revenues and receivables are recorded when earned (when eligible costs are incurred) on grants, which have been approved and funded by the grantor. Grant sources include the Federal Transit Administration (FTA), State Transit Assistance (STA), and LTF. The LTF and STA were created by the State Legislature under the TDA.

H. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

I. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in financial position and operations of the City's Measure R Fund and the TDA Funds.

J. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

K. Contingencies

The City receives funding for specific purposes that are subject to review and audit by the granting agencies funding source. Such audits could result in a request for reimbursement for expenditures disallowed under terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

The City is party to claims and lawsuits arising in the ordinary course of business. The City's management and legal counsel are of the opinion that the ultimate liability, if any, arising from these claims will not have a material adverse impact on the financial position of the City's Measure R Fund and the TDA Funds.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash balances of the City's Measure R Fund and TDA Funds are pooled with those of other funds and invested by the City to maximize investment opportunities and yields. Investment income resulting from this pooling is allocated among the funds based upon each respective fund's average cash balance in relation to the aggregate investment balance, except that project funds are excluded from this allocation due to the fact that most cash balances in project funds are advanced from the City's General Fund. Further information regarding the City's cash and cash equivalents pool may be found in the City's financial statements by contacting the Finance Department at 707 W. Acequia Avenue Visalia, California 93291.

NOTE 3 – CAPITAL ASSETS

The changes in capital assets and the related accumulated depreciation for the fiscal years ended June 30, 2023 and 2022, are as follows:

	June 30, 2022	Additions	Deletions	June 30, 2023
Nondepreciable assets:				
Land	\$ 4,361,902	\$ -	\$ -	\$ 4,361,902
Construction in progress	5,044	746	-	5,790
Total nondepreciable assets	4,366,946	746	-	4,367,692
Depreciable assets:				
Buildings	19,589,783	-	-	19,589,783
Vehicles and equipment	39,707,069	3,779	-	39,710,848
Improvements	2,602,376	-	-	2,602,376
Total depreciable assets	61,899,228	3,779	-	61,903,007
Less accumulated depreciation	(32,975,980)	(2,645,218)		(35,621,198)
Total depreciable assets, net	28,923,248	(2,641,439)	-	26,281,809
Total capital assets	\$ 33,290,194	\$ (2,640,693)	\$ -	\$ 30,649,501
	June 30, 2021	Additions	Deletions	June 30, 2022
Nondepreciable assets:				
Land	\$ 4,361,902	\$ -	\$ -	\$ 4,361,902
Construction in progress	350,951	5,044	(350,951)	5,044
Total nondepreciable assets	4,712,853	5,044	(350,951)	4,366,946
Depreciable assets:				
Buildings	19,589,783	-	-	19,589,783
Vehicles and equipment	35,653,900	4,053,169	-	39,707,069
Improvements	2,602,376	-	-	2,602,376
Total depreciable assets	57,846,059	4,053,169	-	61,899,228
Less accumulated depreciation	(30,040,027)	(2,935,953)	-	(32,975,980)
Total depreciable assets, net	27,806,032	1,117,216	-	28,923,248
Total capital assets	\$ 32,518,885	\$ 1,122,260	\$ (350,951)	\$ 33,290,194

Accumulated depreciation expense for the fiscal years ended June 30, 2023 and 2022, was \$2,645,218 and \$2,935,953, respectively.

NOTE 4 – GRANT ADVANCES

The LTF and STA Fund are administered by the Tulare County Association of Governments, which allocates funds to the City to fund its TDA operations. The TDA requires that any funds not used be returned to their source. Allocations are considered earned when they are properly spent for eligible projects. Allocations received but not earned are recorded as grant advances. Changes in grant advances for the Transit Fund for the fiscal year ended June 30, 2023, are summarized as follows:

	Capital Assistance
Capital and Operating Assistance	
Excess funds at June 30, 2022	\$ 2,856,360
Allocations received	<u>1,068,405</u>
Funds available	3,924,765
Less: eligible costs	<u>-</u>
Excess funds at June 30, 2023	<u><u>\$ 3,924,765</u></u>

On April 28, 2017, the Governor signed the Road Repair and Accountability Act of 2017, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), which includes a program that will provide additional revenues for transit infrastructure repair and service improvements, known as the State of Good Repair (SGR) Program. This program receives funding of approximately \$105 million annually. SGR funds are to be made available for eligible transit maintenance, rehabilitation, and capital projects.

During the fiscal year ended June 30, 2023, the City received \$267,566 in SGR funds and no received interest on deposits of SGR funds. During the fiscal year ended June 30, 2023, Nothing was disbursed on SGR related expenses.

SB1- State of Good Repair (SGR) For the Fiscal Year Ended June 30, 2023	
Description	Amount
Balance - beginning of year	\$ 250,419
Receipts:	
Interest accrued 7/1/22 through 6/30/23	-
Allocations received	267,566
Expenses:	
Capital purchases	<u>-</u>
Balance - end of year	<u><u>\$ 517,985</u></u>

NOTE 5 – FARE REVENUE RATIO/COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS

The TDA is defined in Chapter 4 of the California Public Utilities Code commencing with Section 99200. Funds received pursuant to Section 99260 of the TDA (Article 4) may only be used for specific purposes, including the support of public transportation purposes. Article 4 funds are the primary funding source for the City's Transit Fund. TDA funds are apportioned, allocated, and paid in accordance with allocation instructions from the Tulare County Association of Governments for specific transportation purposes.

NOTE 5 – FARE REVENUE RATIO/COMPLIANCE REQUIREMENTS OF LOCAL TRANSPORTATION FUNDS (Continued)

The Transit Fund is subject to the provisions of Section 6633.2 of Title 21, Chapter 3, Subchapter 2 of the California Code of Regulations requiring the calculation and adherence of fare and local support ratios for TDA transit funding. Accordingly, the City's Transit Fund must maintain a fare revenue ratio equaling or exceeding 20%, except for fiscal years 2020 and 2021; Assembly Bill No. 90, which was approved by the Governor on June 29, 2020, prohibits the imposition of a penalty on an operator that does not maintain the required ratio of fare revenues to operating costs during the fiscal years 2023 and 2022.

The fare revenue ratio is determined by comparing the fund's operating revenues to operating expenses as defined by the TDA. In accordance with the TDA, depreciation of capital assets is excluded from operating expenses for purposes of this fare revenue ratio. During the fiscal years ended June 30, 2023 and 2022, the City's TDA farebox ratio of operating revenues to operating expenses, as calculated below, indicates noncompliance with the provisions of the TDA; however, there is no noncompliance penalty due to Assembly Bill No. 90 as described above:

	2023	2022
Fares	\$ 1,126,387	\$ 978,045
Auxiliary transportation revenues	418,924	530,100
	<u>\$ 1,545,311</u>	<u>\$ 1,508,145</u>
Operating expenses	\$ 19,932,005	\$ 19,430,006
Less allowable TDA adjustments:		
Depreciation	(2,645,217)	(2,935,953)
Cal Vans Expenses	(134,182)	(129,975)
	<u>\$ 17,152,606</u>	<u>\$ 16,364,078</u>
Net operating expenses	<u>\$ 17,152,606</u>	<u>\$ 16,364,078</u>
Fare revenue ratio	<u>9.01%</u>	<u>9.22%</u>

NOTE 6 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2023, have been evaluated for possible adjustments to the financial statements or disclosures is March 27, 2024, which is the date that the financial statements were available to be issued. There were no events brought to our attention that were deemed to be reportable at that time.

OTHER REPORT

**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*, THE TRANSPORTATION DEVELOPMENT ACT, AND MEASURE R**

To the Board of Directors
Tulare County Association of Governments
Visalia, California

To the City Council
City of Visalia
Visalia, 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 of the Measure R Revenue Fund (the Measure R Fund) and the Local Transportation Fund and the Transit Fund (collectively, the Transportation Development Act (TDA) Funds) of the City of Visalia (the City), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's Measure R Fund's and TDA Funds' basic financial statements, and have issued our report thereon dated March 27, 2024.

Report on 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) relating to the Measure R Fund and TDA Funds 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 City's internal control relating to the Measure R Fund and TDA Funds. Accordingly, we do not express an opinion on the effectiveness of the City's internal control relating to the Measure R Fund and TDA Funds.

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 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 Measure R Fund's and TDA Funds' financial statements are free from material misstatement, we performed tests of the City's 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. Our audit was further made to determine that TDA funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of Tulare County Association of Governments as required by Sections 6666 and 6667 of Title 21 of the California Code of Regulations. 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*, the TDA, or Measure R.

As part of the audit, we performed testing of the following program:

SB-1– State of Good Repair (SGR)

On April 28, 2017, the Governor signed the Road Repair and Accountability Act of 2017, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), which includes a program that will provide additional revenues for transit infrastructure repair and service improvements, known as the SGR Program. This program receives funding of approximately \$105 million annually. SGR funds are to be made available for eligible transit maintenance, rehabilitation, and capital projects.

During the fiscal year June 30, 2023, the City received \$267,566 in SGR funds for maintenance on capital assets and no interest was received on deposits of SGR funds. During the fiscal year ended June 30, 2023, Nothing was disbursed on SGR related expenses.

As of June 30, 2023, all SGR funds received and expended were verified in the course of our current audit as follows:

SB1- State of Good Repair (SGR) For the Fiscal Year Ended June 30, 2023	
Description	Amount
Balance - beginning of year	\$ 250,419
Receipts:	
Interest accrued 7/1/22 through 6/30/23	-
Allocations received	267,566
Expenses:	
Capital purchases	-
Balance - end of year	<u>\$ 517,985</u>

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 relating to the Measure R Fund and TDA Funds. 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 relating to the Measure R Fund and TDA Funds. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
March 27, 2024

**CITY OF VISALIA
TRANSPORTATION DEVELOPMENT ACT FUNDS AND
MEASURE R TRANSPORTATION FUNDS
CURRENT YEAR FINDINGS AND RECOMMENDATIONS AND
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Current Year Findings and Recommendations

None.

Status of Prior Year Findings and Recommendations

None.