

CROPPER ROWE, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)**

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

WITH

INDEPENDENT AUDITORS' REPORT THEREON

TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board Members
Tri-Valley Transportation Council
c/o TVTC Administrator, City of Dublin
Dublin, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Tri-Valley Transportation Council (the Council), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic 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 respective financial position of the business-type activities of the Council, as of June 30, 2023, and the respective changes in financial position and cash flows 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Council 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.

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 Council'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.

Auditors' 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 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 generally accepted auditing standards 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 Council'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 Council'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3-5 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CROPPER ROWE, LLP
Walnut Creek, California
September 4, 2024

TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

THE PURPOSE OF THE TRI-VALLEY TRANSPORTATION COUNCIL:

In 1991, the seven jurisdictions of Alameda County, Contra Costa County, Dublin, Pleasanton, Livermore, Danville, and San Ramon signed a Joint Powers Agreement (JPA) that established the Tri-Valley Transportation Council (the “Council”). The purpose of the JPA was the joint preparation of a Tri-Valley Transportation Plan/Action Plan (TVTP/AP) for Routes of Regional Significance (RRS) and cost sharing of recommended improvements.

The Council adopted the TVTP/AP in 1995. The TVTP/AP was later updated in 2000, 2009, and 2014. The most recent update occurred in January 2023, prior to the issuance of these financial statements. TVTC approved the draft TVTP/AP on January 23, 2023 and recommended that the Contra Costa Transportation Authority incorporate the TVTP/AP into the 2023 Countywide Transportation Plan. The purpose of the TVTP/AP is for TVTC member agencies to participate in the multijurisdictional, cooperative planning process envisioned in the Contra Costa Measure J Program to address regional transportation issues that span jurisdictional boundaries. The TVTP/AP establish overall goals, identify RRS, create a set of performance measures (referred to as “regional transportation objectives” or RTOs), and establish a set of actions that will support achievement of the RTOs.

In 1998, through a Joint Exercise Powers Agreement (JEPA), the seven member agencies that comprise the Council approved the Tri-Valley Transportation Development Fee (TVTDF) program. The TVTDF is intended to allocate fair share costs for the regional improvement projects identified in the TVTP/AP.

In 1999, the Council adopted a Strategic Expenditure Plan (SEP) which identified priorities, project sponsors, and funding plan for 11 regional transportation projects (List A). The Council then expanded this list to add 11 new projects (List B).

In 2008, the Council adopted a TVTC Fee Nexus Study (Nexus Study). The Council completed a Validation Review of the Nexus Study in 2017. The Nexus Study summarizes the status of the 22 projects, estimates revenues from the TVTDF over a 10-year horizon, and provides a funding plan for the remaining projects. In 2021, with half of the projects on the list A and B no longer being eligible for funding as a result of projects being completed or changes to the program, TVTC reviewed and selected additional projects to be considered for funding from the TVTDF. This selection process resulted in a new list of projects to mitigate the impacts of new development based on feasibility and stakeholder support. From this process, 16 projects (“List C”) were identified to be considered for TVTDF funding.

The 2021 TVTC Nexus Fee Update Study evaluated the remaining projects from List A and List B, as well as the addition of 16 projects from List C. The analysis found that these projects would reduce the congestion created by new development. The Nexus Study update also determined the new maximum fee needed to fund the improvement projects. The study was adopted on August 16, 2021.

In 2022, the Council adopted a 2022 Strategic Expenditure Plan update which estimated revenues from the TVTDF over a 10-year horizon and provides a funding plan for the priority projects identified from List A, B and C.

TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements comprise the *Statement of Net Position*, *Statement of Revenues, Expenses, and Changes in Net Position*, and *Statement of Cash Flows*. These statements present all assets and liabilities using the full accrual basis of accounting similar to the accounting model used by private sector firms.

Statement of Net Position

The *Statement of Net Position* (Basic Financial Statements, page 6) is a snapshot of the Council’s financial position at the end of the Fiscal Year (FY) 2023. The Council’s assets are all current assets, i.e. cash and receivables. The Council has no capital assets. For the year ended June 30, 2023, net position totaled \$23,203,939.

Table 1. Statement of Net Position as of June 30:

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Cash and equivalents	\$ 22,402,516	\$ 22,222,134	\$ 180,382	0.8%
Interest receivable	176,098	36,676	139,422	380.1%
Prepaid expenses	736	692	44	6.4%
Developer fee receivables	1,230,141	904,803	325,338	36.0%
	<u>\$ 23,809,491</u>	<u>\$ 23,164,305</u>	<u>\$ 645,186</u>	<u>2.8%</u>
Liabilities and Net Position				
Liabilities	\$ 605,552	\$ 8,946	\$ 596,606	6669.0%
Unrestricted Net Position	23,203,939	23,155,359	48,580	0.2%
	<u>\$ 23,809,491</u>	<u>\$ 23,164,305</u>	<u>\$ 693,766</u>	<u>3.0%</u>

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TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)
Management's Discussion and Analysis
For the Year Ended June 30, 2023

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position (Basic Financial Statements, page 7) presents the Council's revenue and incurred expenses for the year ended June 30, 2023. All financial activities incurred for the Council are recorded here, including operational expenses, capital project costs, and other revenues and expenses. Since revenues are dependent on new construction, the Council's financial position is generally subject to the same fluctuations as the economy.

**Table 2. Statement of Revenues, Expenses, and Changes in Net Position
for the Fiscal Years Ended June 30:**

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Expenses				
Transportation improvements	\$ 2,887,629	\$ -	\$ 2,887,629	100.0%
Accounting fees	15,575	7,665	7,910	103.2%
Legal fees	25,583	41,787	(16,204)	-38.8%
Nexus study	-	126,155	(126,155)	-100.0%
Administrative	32,129	32,182	(53)	-0.2%
Refund of fees	-	3,788	(3,788)	-100.0%
Total Expenses	<u>2,960,916</u>	<u>211,577</u>	<u>2,749,339</u>	<u>1299.5%</u>
Revenues (Operating and Nonoperating)				
Interest income (from investments and members)	166,458	73,988	92,470	125.0%
Development fees				
Alameda County	5,277	12,123	(6,846)	-56.5%
Town of Danville	262,880	12,137	250,743	2065.94%
City of Dublin	1,179,054	2,359,601	(1,180,547)	-50.0%
City of Livermore	421,006	202,641	218,365	107.8%
City of Pleasanton	273,738	868,575	(594,837)	-68.5%
City of San Ramon	395,734	305,408	90,326	29.6%
Contra Costa County	49,717	24,139	25,578	106.0%
Total Revenues	<u>2,753,864</u>	<u>3,858,612</u>	<u>(1,104,748)</u>	<u>-28.6%</u>
Change in Net Position	<u>(207,052)</u>	<u>3,647,035</u>	<u>(3,854,087)</u>	<u>-105.7%</u>
Beginning Net Position, as previously stated	23,155,359	19,508,324	3,647,035	18.7%
Prior period adjustment	255,632	-	255,632	100.0%
Beginning Net Position, as restated	<u>23,410,991</u>	<u>19,508,324</u>	<u>3,902,667</u>	<u>20.0%</u>
Ending Net Position	<u>\$23,203,939</u>	<u>\$ 23,155,359</u>	<u>\$ 48,580</u>	<u>0.2%</u>

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This Management's Discussion and Analysis is intended to provide the reader with a narrative overview of the Council's financial statements for the year ended June 30, 2023. Questions concerning any information provided in this report or requests for additional financial information should be directed to:

Tri-Valley Transportation Council
Sai Midididdi, TVTC Administrator
City of Dublin
100 Civic Plaza
Dublin, CA 94568

**TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)**

Statement of Net Position

June 30, 2023

	<u>2023</u>
<u>ASSETS</u>	
Cash and cash equivalents (Note 2)	\$ 22,402,516
Interest receivable	176,098
Prepaid expenses	736
Development fees receivable (Note 1E)	<u>1,230,141</u>
 Total Assets	 <u><u>\$ 23,809,491</u></u>
<u>LIABILITIES AND NET POSITION</u>	
Accounts payable	\$ <u>605,552</u>
 Total Liabilities	 <u>605,552</u>
Net Position (Note 1B)	
Unrestricted	<u>23,203,939</u>
Total Net Position	<u>23,203,939</u>
Total Liabilities and Net Position	<u><u>\$ 23,809,491</u></u>

The accompanying notes are an integral part of these financial statements.

TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

	2023
Operating Income	
Interest income from member agencies	\$ 6,971
	6,971
Development fees:	
Alameda County	5,277
Town of Danville	262,880
City of Dublin	1,179,054
City of Livermore	421,006
City of Pleasanton	273,738
City of San Ramon	395,734
Contra Costa County	49,717
Total development fees	2,587,406
Total Operating Income	2,594,377
Operating Expenses	
Transportation improvements (Note 3)	2,887,629
Accounting fees	15,575
Legal fees	25,583
Administrative	32,129
Total Operating Expenses	2,960,916
Net operating income	(366,539)
Non-Operating Income	
Investment income	159,487
Total Non-Operating Income	159,487
Change in net position	(207,052)
Net Position, beginning (as previously stated)	23,155,359
Prior period adjustment, correction of an error	255,632
Net Position, beginning (as restated)	23,410,991
Net Position, ending	\$ 23,203,939

The accompanying notes are an integral part of these financial statements.

TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities	
Receipts from customers (via members)	\$ 2,524,600
Payments to suppliers	(76,725)
Payments for transportation projects	(2,287,629)
Net cash provided by operating activities	<u>160,246</u>
Cash flows from investing activities	
Investment income	<u>20,136</u>
Net cash provided by investing activities	<u>20,136</u>
Net change in cash and cash equivalents	180,382
Cash and cash equivalents, July 1	<u>22,222,134</u>
Cash and cash equivalents, June 30	<u><u>\$ 22,402,516</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities	
Net operating income (loss)	(366,539)
Decreases (increases) in assets:	
Prepaid expenses	(44)
Accounts receivable	(69,777)
Increases (decreases) in liabilities:	
Accounts payable (transportation projects)	600,000
Accounts payable (other)	(3,394)
Net cash provided by operating activities	<u><u>\$ 160,246</u></u>

The accompanying notes are an integral part of the financial statements

TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Tri-Valley Transportation Council (the "Council") is a joint powers authority (JPA) organized by the Counties of Alameda and Contra Costa, the Town of Danville, and the Cities of Dublin, Livermore, Pleasanton, and San Ramon. The Council's administrative responsibilities rotate between jurisdictions every two years. The City of San Ramon was the administrator for fiscal years 2020/21 and 2021/22. The City of Dublin is the administrator for the fiscal years 2022/23 through 2023/24. The Council was created to administer development fees for the planning and implementation of sub-regional transportation facilities. This fee was adopted by the seven jurisdictions pursuant to Government Code 6502, and is paid to each of the member agencies by project developers. There are no separate legal entities that are a part of the Council's reporting entity.

The Council applies all applicable Governmental Accounting Standards Board (GASB) pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

B. Measurement Focus and Basis of Accounting

The Council reports its activities as a proprietary fund. A proprietary fund is accounted for on a cost of service or "economic resources" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the balance sheet. The reported fund equity presents total net position. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in total net position. Revenues and expenses are recognized on an accrual basis. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenue for the Council is development fees collected by the member agencies on the Council's behalf. The fee schedule is reviewed and updated periodically to reflect changes in regional construction costs.

TRI-VALLEY TRANSPORTATION COUNCIL
 (A JOINT POWERS AUTHORITY)
 Notes to the Financial Statements
 For the Year Ended June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Net Position - The statement of net position is designed to display the financial position of the Council.

- Invested in capital assets, net of related debt - This component consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Council does not have any capital assets at June 30, 2023.
- Restricted - This component consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation. The Council does not have any restrictions on net position at June 30, 2023.
- Unrestricted - This component consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." When both restricted and unrestricted resources are available, restricted resources will be depleted prior to use of unrestricted resources.

Statement of Revenues, Expenses, and Changes in Net Position - The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and net operating income/loss.

C. Prior Period Adjustment

During the course of the audit, discrepancies between the fiscal year 2022 audited financial statements and the confirmations for several member agencies were noted. As a result, the auditor and the Council reassessed the 2022 and 2023 revenue and booked a prior period adjustment as follows:

Beginning net position, as previously stated	\$ 23,155,359
2022 revenue not previously recognized	255,632
Beginning net position, as restated	\$ 23,410,991

TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Investments

The Council does not commingle its cash and investments with the JPA members. The funds are invested in accordance with the State Investment Policy established pursuant to the State Law. All monies not required for immediate expenditure are invested or deposited to earn maximum yield consistent with safety and liquidity.

Investments are carried at fair value, which is based on quoted market price if applicable. Otherwise, the fair value hierarchy is as follows:

Level 1 – Values are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs, other than quoted prices, included within Level 1 that are observable for the asset or liabilities at the measurement date.

Level 3 – Certain inputs are unobservable inputs (supported by little or no market activity, such as the Council’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date).

The Council invests in the California Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account operated by the California State Treasurer. LAIF funds are invested in high quality money market securities and are managed to insure the safety of the portfolio. A portion of LAIF’s investments are in structured notes and asset-backed securities.

LAIF determines fair value on its investment portfolio based on market quotations for these securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

E. Receivables

Receivables recorded in the financial statements are net of any allowance for doubtful accounts. Any doubtful accounts at June 30, 2023 were not considered material.

F. Revenue Recognition - Development Fees

Development fees are assessed according to a set fee schedule for new construction. The fees collected under the Council from new construction will be used to mitigate the increased traffic congestion.

TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 2. CASH AND INVESTMENTS

The cash and investments of the Council are maintained separately from with the funds of the JPA members. The Council considers cash and investment amounts with original maturities of three months or less to be cash equivalents.

Cash and Investments consisted of the following at June 30:

	2023
Cash in banks	\$ 809,040
Local Agency Investment Fund	21,593,476
Total cash and investments	\$ 22,402,516

Investments Authorized by the Council’s Investment Policy

The Council is authorized to invest in obligations of the U.S. Treasury, agencies, commercial paper with certain minimum ratings, certificates of deposit, bankers' acceptances, repurchase agreements and the State Treasurer's Investment pool ("LAIF").

Deposits/Credit Risk

The California Government Code requires California banks and savings and loan associations to secure Public Agencies' deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of deposits. California law also allows financial institutions to secure such deposits by pledging first trust deed mortgage notes having a value of 150% of the total deposits. The first \$250,000 of each institution's deposits are covered by FDIC insurance. The Council’s cash is held at one financial institution.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Council's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

TRI-VALLEY TRANSPORTATION COUNCIL
(A JOINT POWERS AUTHORITY)
Notes to the Financial Statements
For the Year Ended June 30, 2023

NOTE 2. CASH AND INVESTMENTS (continued)

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits or will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Council's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Investment Fair Value

The Council is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Council's investment in this pool is reported in the accompanying financial statements at amounts based upon the Council's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3: TRANSPORTATION IMPROVEMENT PROJECTS

During the fiscal year ended June 30, 2023, \$2,887,629 was expensed relating to transportation improvement projects. Monies are disbursed only after it is determined that sufficient funds are available in the joint Tri-Valley Transportation Development Fund bank account.

NOTE 4: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the audit opinion, which is the date on which the financial statements were available to be issued. No events that would require additional adjustment or disclosure came to the attention of management.

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**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 Board Members
Tri-Valley Transportation Council
San Ramon, 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 business activities of the Tri-Valley Transportation Council (the “Council”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Council’s basic financial statements, and have issued our report thereon dated September 4, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council’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 Council’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Council’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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did identify the following deficiencies in internal control that we consider to be material weaknesses:

- Preparing financial statements in accordance with generally accepted accounting principles (GAAP) for governmental entities requires the preparer to possess adequate knowledge of the accounting principles affecting the organization. Such knowledge includes an understanding of the requirements related to relevant note disclosures, an awareness of accounting changes taking place in the industry in which the organization operates, and the ability to research unusual accounting transactions or situations encountered.

In larger organizations, accounting personnel who lack this knowledge obtain it through advanced accounting courses or continuing education. However, many smaller organizations, such as the Council, do not employ accounting personnel with the education and experience to prepare full disclosure financial statements in accordance with GAAP. The Council uses a third-party accounting firm to maintain the general ledger. This Company uses QuickBooks as its accounting software. QuickBooks is a good software for entities with a single business-type fund on a cash basis but is not ideal for governmental accounting. Additionally, the Council does not necessarily know how much each member agency will be remitting per quarter until those funds are received. This can result in cutoff or completeness issues related to development fee revenue. The audit team confirms all revenue and accounts receivable with the member agencies, however we recommend that each member remit an annual report to the Council to substantiate their position on revenue paid and/or due to the Council, based on the approved fee schedule. The auditors can perform procedures, on a rotating basis, to ensure the propriety of those reports.

The Council has retained accounting professionals with a knowledge of governmental accounting principles to maintain the general ledger and prepare the financial statements beginning with the fiscal year beginning July 1, 2023. This finding is expected to be removed for fiscal year 2023-24.

We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tri-Valley Transportation Council's Response to Findings

Management's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CROPPER ROWE, LLP
Walnut Creek, California
September 4, 2024