

Support Material Agenda Item No. 6

General Policy Committee Meeting

March 10, 2021

9:00 AM

MEETING ACCESSIBLE VIA ZOOM AT: <https://gosbcta.zoom.us/j/98154735255>

Teleconference

Dial: 1-669-900-6833

Meeting ID: 981 5473 5255

DISCUSSION ITEMS

Administrative Matters

6. Transit Operators and Transportation Development Act Audits for Fiscal Year 2019/2020

Review and receive the Transit Operators and Transportation Development Act Audit Reports for Fiscal Year 2019/2020.

Full financial reports are attached in the order listed below:

- *City of Barstow*
- *City of Big Bear Lake*
- *City of Chino*
- *City of Hesperia*
- *City of Highland*
- *Mountain Area Regional Transit Authority (MARTA)*
- *Morongo Basin Transit Authority*
- *City of Needles*
- *Omnitrans AU-C*
- *Omnitrans CAFR*
- *Omnitrans Prop 1B*
- *Omnitrans Single Audit*
- *City of Ontario*
- *City of Rancho Cucamonga*
- *City of Redlands*
- *City of Rialto*
- *City of San Bernardino*
- *City of Twentynine Palms*
- *City of Victorville*
- *City of Yucaipa*
- *Town of Yucca Valley*
- *MARTA GAGAS*
- *MARTA AU-C*



Financial Statements
June 30, 2020 and 2019

City of Barstow, California
Transportation Development Act Fund

City of Barstow, California
Transportation Development Act Fund
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 8 Fund (TDA Fund) of the City of Barstow, California (City), as of and for the years ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinions

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, 2020 and June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City of Barstow, California, as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the Management's Discussion and Analysis for the TDA Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the TDA Fund's financial statements. The schedule of allocations received and expended, by project year on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year 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. Such 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 financial statements or 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 accompanying schedule of allocations 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the City's 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 as it relates to the TDA Fund.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

City of Barstow, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	2020 Article 8	2019 Article 8
Assets		
Cash and investments	\$ 441,110	\$ 404,280
Interest receivable	548	-
	<u>548</u>	<u>-</u>
Total assets	<u>\$ 441,658</u>	<u>\$ 404,280</u>
Fund Balance		
Restricted	<u>\$ 441,658</u>	<u>\$ 404,280</u>

City of Barstow, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2020 and 2019

	2020 Article 8	2019 Article 8
Revenues		
TDA allocation	\$ 42,195	\$ 106,913
Interest income	<u>2,771</u>	<u>18,269</u>
Total revenues	<u>44,966</u>	<u>125,182</u>
Other Financing Sources (Uses)		
Transfers out to the City of Barstow	<u>(7,588)</u>	<u>(4,022)</u>
Net Change in Fund Balance	37,378	121,160
Fund Balance, Beginning of Year	<u>404,280</u>	<u>283,120</u>
Fund Balance, End of Year	<u><u>\$ 441,658</u></u>	<u><u>\$ 404,280</u></u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act Article 8 Fund (TDA Fund) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Barstow, California (City) as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 8

San Bernardino County Transportation Authority (SBCTA) receives and passes through Article 8 funding to the local claimants for the purposes of local streets and roads in accordance with Section 99400 of the California Public Utilities Code, which may include those purposes necessary and convenient to the development, construction, and maintenance of the city or county's streets and highways network, which further includes planning and contributions to the transportation planning process, acquisition of real property, construction of facilities and buildings. The fund may also be used for passenger rail service operations and capital improvements.

Article 8 subdivision C further allows payments to counties, cities, and transit districts for their administrative and planning cost with respect to transportation services. A claimant may also receive payments for capital expenditures to acquire vehicles and related equipment, bus shelters, bus benches, and communication equipment for the transportation services.

Payment of Article 8 to any entity that provides public transportation services under contract with the local county, city, or transit district for any group with special transportation assistance needs must be determined by SBCTA.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for the activity of the Article 8 TDA Fund in its Article 8 Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its Article 8 special revenue fund.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The TDA Fund's cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The TDA Fund's deposits and withdrawals in the City's investment pool are made on the basis of \$1 and not fair value. Accordingly, the TDA Fund's investment in the City's investment pool is measured with inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

D. Estimates

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

Note 3 - Transfers Out to the City of Barstow

Transfers out to the City of Barstow of \$7,588 represent amounts paid to the City's Capital Improvement Fund to supplement costs incurred for the pavement preservation project.



Required Supplementary Information
June 30, 2020 and 2019

City of Barstow, California
Transportation Development Act Fund

City of Barstow, California
Transportation Development Act Fund
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Years Ended June 30, 2020 and 2019

June 30, 2020	Budget		Actual	Variance
	Original	Final		
Revenues				
TDA allocation	\$ 192,195	\$ 42,195	\$ 42,195	\$ -
Interest income	-	-	2,771	2,771
Total revenues	192,195	42,195	44,966	2,771
Other Financing Sources (Uses)				
Transfers out to the City of Barstow	(540,000)	(446,000)	(7,588)	438,412
Net Change in Fund Balance	(347,805)	(403,805)	37,378	441,183
Fund Balance, Beginning of Year	404,280	404,280	404,280	-
Fund Balance, End of Year	<u>\$ 56,475</u>	<u>\$ 475</u>	<u>\$ 441,658</u>	<u>\$ 441,183</u>
June 30, 2019	Budget		Actual	Variance
	Original	Final		
Revenues				
TDA allocation	\$ 210,693	\$ 210,693	\$ 106,913	\$ (103,780)
Interest income	-	-	18,269	18,269
Total revenues	210,693	210,693	125,182	(85,511)
Other Financing Sources (Uses)				
Transfers out to the City of Barstow	(500,000)	(500,000)	(4,022)	495,978
Net Change in Fund Balance	(289,307)	(289,307)	121,160	410,467
Fund Balance, Beginning of Year	283,120	283,120	283,120	-
Fund Balance, End of Year	<u>\$ (6,187)</u>	<u>\$ (6,187)</u>	<u>\$ 404,280</u>	<u>\$ 410,467</u>

Note 1 - Budgetary Information

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Supplementary Information
June 30, 2020 and 2019

City of Barstow, California
Transportation Development Act Fund

City of Barstow, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at June 30, 2019</u>	<u>Expenditures</u>	<u>Unspent Allocations at June 30, 2020</u>
Article 8	Streets & Road Maintenance	2019-20	\$ 42,195	\$ -	\$ -	\$ 42,195
Article 8	Streets & Road Maintenance	2018-19	106,913	106,913	-	106,913
Article 8	Streets & Road Maintenance	2017-18	<u>564,484</u>	<u>278,922</u>	<u>7,588</u>	<u>271,334</u>
			<u>\$ 713,592</u>	<u>\$ 385,835</u>	<u>\$ 7,588</u>	<u>\$ 420,442</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino Associated Governments
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 8 Fund (TDA Fund) of the City of Barstow, California (City), as of and for the year ended June 30, 2020 and June 30, 2019 and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Fund (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations, Section 99400 of the Public Utilities Code and the allocation instructions of the SBCTA.

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.

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Rancho Cucamonga, California
December 28, 2020

City of Barstow, California
Transportation Development Act Fund
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

Finding No.	Description	Status
2019-001	Timeliness of Bank Account Reconciliation	Implemented



Financial Statements
June 30, 2020 and 2019

City of Big Bear Lake, California
Transportation Development Act Fund

City of Big Bear Lake, California
Transportation Development Act Fund
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Big Bear Lake, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinions

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, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 and 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund's financial statements. The schedule of allocations received and expended, by project year, on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 allocations received and expended, by project year, 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Fund.

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Rancho Cucamonga, California
December 28, 2020

City of Big Bear Lake, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Assets		
Due from other governments	<u>\$ 107,763</u>	<u>\$ 86,367</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Due to the City of Big Bear Lake	<u>\$ 91,760</u>	<u>\$ 86,367</u>
Deferred inflows of resources		
Unavailable revenues	<u>107,763</u>	<u>86,367</u>
Fund Balance (Deficit)		
Unassigned	<u>(91,760)</u>	<u>(86,367)</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 107,763</u>	<u>\$ 86,367</u>

City of Big Bear Lake, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Revenues		
TDA allocation	\$ 41,178	\$ -
Other income	<u>-</u>	<u>37,531</u>
Total revenues	<u>41,178</u>	<u>37,531</u>
Expenditures		
TDA expenditures	<u>\$ 46,571</u>	<u>\$ 81,760</u>
Net Change in Fund Balance	(5,393)	(44,229)
Fund Balance (Deficit), Beginning of Year	<u>(86,367)</u>	<u>(42,138)</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (91,760)</u></u>	<u><u>\$ (86,367)</u></u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Big Bear Lake, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 10% of the project costs. The City satisfied the 10% match in the fiscal year by utilizing City funding for 10% of the total project costs incurred.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Article 3 Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for the activity of the Article 3 TDA Fund in its Article 3 Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its Article 3 special revenue fund.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Article 3 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Article 3 Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall. As of June 30, 2020 and 2019, the cash balance of the TDA fund is \$0.

D. Estimates

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

E. Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

Note 3 - Due to the City of Big Bear Lake

Due to the City of Big Bear Lake of \$91,760 represents the amounts paid by the City on behalf of the TDA Fund for expenditures incurred for which reimbursements had not yet been received.

Note 4 - Due from Other Governments

Due from other governments of \$107,763 represents the TDA revenues which had not been received from SBCTA as of June 30, 2020. The amounts are reflected as deferred inflows of resources and unavailable revenue, as the amounts are not considered available resources.

Note 5 - Deficit Fund Balance

The TDA Fund reported a deficit fund balance of \$91,760. Article 3 allocations are received on a reimbursement basis. As such, the timing difference between the expenditures and the recognition of Article 3 revenues results in a deficit. The deficit will be eliminated once the Article 3 revenues are recognized.



Required Supplementary Information
June 30, 2020 and 2019

City of Big Bear Lake, California
Transportation Development Act Fund

City of Big Bear Lake, California
Transportation Development Act Fund

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 3 Fund
Years Ended June 30, 2020 and 2019

<u>June 30, 2020</u>	Budget		Actual	Variance
	Original	Final		
Revenues				
TDA allocation	\$ -	\$ 41,178	\$ 41,178	\$ -
Other income	-	37,531	-	(37,531)
Total revenues	-	78,709	41,178	(37,531)
Other Financing Sources (Uses)				
Transfers to the City of Big Bear Lake	-	(46,571)	(46,571)	-
Net Change in Fund Balance	-	32,138	(5,393)	(37,531)
Fund Balance (Deficit), Beginning of Year	(86,367)	(86,367)	(86,367)	-
Fund Balance (Deficit), End of Year	<u>\$ (86,367)</u>	<u>\$ (54,229)</u>	<u>\$ (91,760)</u>	<u>\$ (37,531)</u>
<u>June 30, 2019</u>	Budget		Actual	Variance
	Original	Final		
Revenues				
TDA allocation	\$ -	\$ 203,108	\$ -	\$ (203,108)
Other income	-	-	37,531	37,531
Total revenues	-	203,108	37,531	(165,577)
Other Financing Sources (Uses)				
Transfers to the City of Big Bear Lake	-	(203,108)	(81,760)	121,348
Net Change in Fund Balance	-	-	(44,229)	(44,229)
Fund Balance (Deficit), Beginning of Year	(42,138)	(42,138)	(42,138)	-
Fund Balance (Deficit), End of Year	<u>\$ (42,138)</u>	<u>\$ (42,138)</u>	<u>\$ (86,367)</u>	<u>\$ (44,229)</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. Expenditures in the TDA Fund are budgeted as transfers to the City's Street Improvement Fund (\$46,571) for Article 3 costs. The transfers are classified as expenditures in the TDA Fund report.



Supplementary Information
June 30, 2020 and 2019

City of Big Bear Lake, California Transportation Development Act Fund

City of Big Bear Lake, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2019	Expenditures	Unspent Allocations at June 30, 2020
Article 3	Lakeside Loop Project	2019-20	\$ 200,000	\$ -	\$ -	\$ 200,000
Article 3	Alpine Pedal	2017-18	175,072	113,880	-	113,880
Article 3	Stanfield Cutoff Connectivity Project	2017-18	322,000	301,432	46,571	254,861
Article 3	Big Bear Blvd Shopping Center	2017-18	87,000	87,000	-	87,000
Article 3	Stanfield Cutoff Connectivity Project	2015-16	325,000	320,393	-	320,393
			<u>\$ 1,109,072</u>	<u>\$ 822,705</u>	<u>\$ 46,571</u>	<u>\$ 976,134</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Big Bear Lake, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020 and 2019

City of Chino, California
Transportation Development Act Funds

City of Chino, California
Transportation Development Act Funds
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 and Article 8 Funds (TDA Funds) of the City of Chino, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Funds of the City as of June 30, 2020 and 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 13 and 14 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Funds that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the TDA Fund's financial statements. The schedule of allocations received and expended, by project year on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year 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. Such 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 financial statements or 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 accompanying schedule of allocations 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the 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 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. 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, as it relates to the TDA Funds.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

City of Chino, California
Transportation Development Act Funds
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2020 Article 8
Assets		
Due from other governments	\$ 86,239	\$ -
Notes receivable	<u>-</u>	<u>317,771</u>
Total assets	<u><u>\$ 86,239</u></u>	<u><u>\$ 317,771</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 8,108	\$ -
Due to the City of Chino	<u>77,358</u>	<u>-</u>
Total liabilities	<u>85,466</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable revenue	<u>86,239</u>	<u>201,501</u>
Fund Balance (Deficit)		
Restricted	-	116,270
Unassigned	<u>(85,466)</u>	<u>-</u>
Total fund balance	<u>(85,466)</u>	<u>116,270</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 86,239</u></u>	<u><u>\$ 317,771</u></u>

City of Chino, California
Transportation Development Act Funds
Balance Sheets
June 30, 2020 and 2019

	2019 Article 3	2019 Article 8
Assets		
Due from other governments	\$ 99,809	\$ -
Notes receivable	<u>-</u>	<u>311,736</u>
Total assets	<u><u>\$ 99,809</u></u>	<u><u>\$ 311,736</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 59,477	\$ -
Due to the City of Chino	<u>39,560</u>	<u>-</u>
Total liabilities	<u>99,037</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable revenue	<u>99,809</u>	<u>195,466</u>
Fund Balance (Deficit)		
Restricted	-	116,270
Unassigned	<u>(99,037)</u>	<u>-</u>
Total fund balance	<u>(99,037)</u>	<u>116,270</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 99,809</u></u>	<u><u>\$ 311,736</u></u>

City of Chino, California
Transportation Development Act Funds
Statements of Revenues, Expenditures, and Changes in Fund Balance
Years Ended June 30, 2020 and 2019

	2020 Article 3	2020 Article 8
Revenues		
TDA allocation	\$ 45,617	\$ -
Expenditures		
Capital		
TDA expenditures	32,046	-
Net Change in Fund Balance	13,571	-
Fund Balance (Deficit), Beginning of Year	(99,037)	116,270
Fund Balance (Deficit), End of Year	<u>\$ (85,466)</u>	<u>\$ 116,270</u>
	2019 Article 3	2019 Article 8
Revenues		
Investment income	\$ 19	\$ -
Expenditures		
Capital		
TDA expenditures	99,809	-
Net Change in Fund Balance	(99,790)	-
Fund Balance, Beginning of Year	753	116,270
Fund Balance (Deficit), End of Year	<u>\$ (99,037)</u>	<u>\$ 116,270</u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act Article 3 and Article 8 Funds (TDA Funds). Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Chino, California (Chino) as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 20% of the project costs.

Article 8

SBCTA receives and passes through TDA Article 8 funding to the local claimants for the purposes of local streets and roads in accordance with Section 99400 of the California Public Utilities Code, which may include those purposes necessary and convenient to the development, construction, and maintenance of the city or county's streets and highways network, which further includes planning and contributions to the transportation planning process, acquisition of real property, construction of facilities and buildings. The fund may also be used for passenger rail service operations and capital improvements.

Article 8 subdivision C further allows payments to counties, cities, and transit districts for their administrative and planning cost with respect to transportation services. A claimant may also receive payments for capital expenditures to acquire vehicles and related equipment, bus shelters, bus benches, and communication equipment for the transportation services.

Payment of Article 8 to any entity that provides public transportation services under contract with the local county, city, or transit district for any group with special transportation assistance needs must be determined by SBCTA.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Funds of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for the activity of the TDA Funds in its Transportation Tax (TDA) Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its TDA special revenue fund.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Funds based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall as well as on the City's website: www.cityofchino.org.

The TDA Fund's cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The TDA Fund's deposits and withdrawals in the City's investment pool are made on the basis of \$1 and not fair value. Accordingly, the TDA Fund's investment in the City's investment pool is measured based on inputs that are uncategorized and not defined as Level 1, Level 2, or Level 3.

D. Estimates

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

E. Deferred Inflows of Resources

Deferred inflows of resources represent revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

Note 3 - Due from Other Governments

Due from Other Governments of \$86,239 represents the TDA revenues which had not been received from SBCTA as of June 30, 2020.

Note 4 - Due to the City of Chino

Due to the City of Chino of \$77,358 represents the TDA Article 3 costs paid by the City. The amount will be repaid by the TDA Article 3 Fund as reimbursements are received from SBCTA.

Note 5 - Notes Receivable

The notes receivable balance of \$317,771 represents principal and interest payments due to the TDA Article 8 Fund from the City's Successor Agency to the former Redevelopment Agency. The repayment of this balance is included in the City's Department of Finance approved ROPS. See additional information in Note 6.

Note 6 - Contingencies

Accounts Receivable Promissory Notes from the Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City since the City had previously reported its redevelopment agency as a blended component unit on the City's financial statements.

The Bill provides that upon dissolution of the redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets of the dissolved redevelopment agency until they are distributed to other units of state and local government. On January 3, 2012, the City Council adopted Resolution 2012-03, electing to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California were prohibited from entering into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution, including the completion of any unfinished projects that were subject to legally enforceable contractual commitments.

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The City and the Successor Agency to the Redevelopment Agency of the City of Chino (Successor Agency) have entered into several cooperation agreements for the reimbursement of costs relating to public works improvements benefiting the Redevelopment project areas. Promissory notes were executed to formalize the debt owed to the City, and TDA Article 8 funding was included in this initial borrowing. The promissory notes provided for the reimbursement from the Successor Agency to the City as Successor Agency funds are available. Until the time these funds are repaid in full, interest on the unpaid principal balance will accrue and is added to the principal balance annually.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under requirements of the Bill. The City's position on this is not a position of settled law and there is considerable legal uncertainty regarding the issue. It is reasonably possible that a legal determination may be at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

Note 7 - Deficit Fund Balance

The TDA Article 3 Fund reported a deficit fund balance of 85,466. Article 3 allocations are received on a reimbursement basis. The deficit will be eliminated as the TDA revenues meet the availability criteria for revenue recognition.



Required Supplementary Information
June 30, 2020 and 2019

City of Chino, California
Transportation Development Act Funds

City of Chino, California
Transportation Development Act Funds

Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - TDA Article 3 Fund
Years Ended June 30, 2020 and 2019

<u>June 30, 2020</u>	Budget		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ 588,346	\$ 588,346	\$ 45,617	\$ (542,729)
Investment income	4,929	4,929	-	(4,929)
Total revenues	<u>593,275</u>	<u>593,275</u>	<u>45,617</u>	<u>(547,658)</u>
Expenditures				
TDA expenditures	<u>513,536</u>	<u>513,536</u>	<u>32,046</u>	<u>481,490</u>
Net Change in Fund Balance	79,739	79,739	13,571	(66,168)
Fund Balance (Deficit), Beginning of Year	<u>(99,037)</u>	<u>(99,037)</u>	<u>(99,037)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (19,298)</u></u>	<u><u>\$ (19,298)</u></u>	<u><u>\$ (85,466)</u></u>	<u><u>\$ (66,168)</u></u>
<u>June 30, 2019</u>	Budget		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ 695,377	\$ 740,994	\$ -	\$ (740,994)
Investment income	4,929	4,929	19	(4,910)
Total revenues	<u>700,306</u>	<u>745,923</u>	<u>19</u>	<u>(745,904)</u>
Expenditures				
TDA expenditures	<u>127,648</u>	<u>613,346</u>	<u>99,809</u>	<u>513,537</u>
Net Change in Fund Balance	572,658	132,577	(99,790)	(232,367)
Fund Balance, Beginning of Year	<u>753</u>	<u>753</u>	<u>753</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ 573,411</u></u>	<u><u>\$ 133,330</u></u>	<u><u>\$ (99,037)</u></u>	<u><u>\$ (232,367)</u></u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.

The City did not adopt an annual budget for TDA Article 8 Fund for fiscal years 2019-2020 and 2018-2019.



Supplementary Information
June 30, 2020 and 2019

City of Chino, California Transportation Development Act Funds

City of Chino, California
Transportation Development Act Funds
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations June 30, 2019</u>	<u>Expenditures</u>	<u>Unspent Allocations June 30, 2020</u>
Article 3	Central/7th St Sidewalk Improvements	2013-14	\$ 127,648	\$ 127,648	\$ -	\$ 127,648
Article 3	Bicycle and Pedestrian Grant- G7802	2017-18	353,081	312,776	18,950	293,826
Article 3	Transit Improvement Grant - G7803	2017-18	87,000	73,113	13,096	60,017
			<u>\$ 567,729</u>	<u>\$ 513,537</u>	<u>\$ 32,046</u>	<u>\$ 481,491</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 and Article 8 Funds (TDA Funds) of the City of Chino, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Funds (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Funds 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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of San Bernardino County Transportation Authority (SBCTA), noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations, Section 99400 of the Public Utilities Code and the allocation instructions of SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020 and 2019

City of Hesperia, California
Transportation Development Act Funds

City of Hesperia, California
Transportation Development Act Funds
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 and Article 8 Fund (TDA Funds) of the City of Hesperia, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Funds of the City as of June 30, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 11 through 13 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Funds that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds' financial statements. The schedule of allocations received and expended, by project year, on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 accompanying schedule of allocations received and expended by project year 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Funds.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

City of Hesperia, California
Transportation Development Act Funds
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2020 Article 8
Assets		
Cash and investments	\$ -	\$ 1,719,001
Due from other governments	44,515	-
Interest receivable	-	4,298
	<u>-</u>	<u>4,298</u>
Total assets	<u>\$ 44,515</u>	<u>\$ 1,723,299</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ -	\$ 16,903
Due to the City of Hesperia	44,515	2,348
	<u>44,515</u>	<u>2,348</u>
Total liabilities	<u>44,515</u>	<u>19,251</u>
Fund Balance		
Restricted	-	1,704,048
	<u>-</u>	<u>1,704,048</u>
Total liabilities and fund balance	<u>\$ 44,515</u>	<u>\$ 1,723,299</u>
	2019 Article 3	2019 Article 8
Assets		
Cash and investments	\$ -	\$ 1,209,098
Interest receivable	-	6,282
	<u>-</u>	<u>6,282</u>
Total assets	<u>\$ -</u>	<u>\$ 1,215,380</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ -	\$ 22,012
	<u>-</u>	<u>22,012</u>
Fund Balance		
Restricted	-	1,193,368
	<u>-</u>	<u>1,193,368</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 1,215,380</u>

City of Hesperia, California
Transportation Development Act Funds
Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2020 and 2019

	2020 Article 3	2020 Article 8
Revenues		
TDA allocation	\$ 44,515	\$ 807,864
Interest income	-	27,096
Total revenues	<u>44,515</u>	<u>834,960</u>
Expenditures		
Current		
TDA expenditures	<u>44,515</u>	<u>122,389</u>
Revenues over/(under) expenditures	<u>-</u>	<u>712,571</u>
Other Financing Sources (Uses)		
Transfers to the City of Hesperia	<u>-</u>	<u>(201,891)</u>
Net Change in Fund Balance	-	510,680
Fund Balance, Beginning of Year	<u>-</u>	<u>1,193,368</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 1,704,048</u></u>
	2019 Article 3	2019 Article 8
Revenues		
TDA allocation	\$ -	\$ 2,281,415
Interest income	-	26,672
Total revenues	<u>-</u>	<u>2,308,087</u>
Expenditures		
Current		
TDA expenditures	<u>-</u>	<u>173,534</u>
Revenues over/(under) expenditures	<u>-</u>	<u>2,134,553</u>
Other Financing Sources (Uses)		
Transfers to the City of Hesperia	<u>-</u>	<u>(750,000)</u>
Net Change in Fund Balance	-	1,384,553
Fund Balance (deficit), Beginning of Year	<u>-</u>	<u>(191,185)</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 1,193,368</u></u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act Article 3 and Article 8 (TDA Funds) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Hesperia, California (City) as of June 30, 2020 and 2019, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 10% of the project costs. The City satisfied the 10% match in the fiscal year by utilizing City funding for 10% of the total project costs incurred.

Article 8

SBCTA receives and passes through Article 8 funding to the local claimants for the purposes of local streets and roads in accordance with Section 99400 of the California Public Utilities Code, which may include those purposes necessary and convenient to the development, construction, and maintenance of the city or county's streets and highways network, which further includes planning and contributions to the transportation planning process, acquisition of real property, and construction of facilities and buildings. The fund may also be used for passenger rail service operations and capital improvements.

Article 8, subdivision C further allows payments to counties, cities, and transit districts for their administrative and planning cost with respect to transportation services. A claimant may also receive payments for capital expenditures to acquire vehicles and related equipment, bus shelters, bus benches, and communication equipment for the transportation services.

Payment of Article 8 to any entity that provides public transportation services under contract with the local county, city, or transit district for any group with special transportation assistance needs must be determined by SBCTA.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Funds of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

Fund Accounting

The City accounts for the activity of the TDA Funds in its Article 3 and Article 8 Funds, which are special revenue funds.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 180 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred.

Fund Balance

Fund balance is reported according to the following classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Restricted fund balance represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Funds based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

The TDA Funds' cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The TDA Funds' deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the TDA Funds' investment in the City Investment Pool is measured with inputs that are uncategorized and not defined as Level 1, Level 2, or Level 3 input.

Estimates

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

Note 3 - Due from Other Governments

On October 16, 2017, SBCTA approved funding for the City of Hesperia's TDA Article 3 project Bear Valley Road Bus Stop Relocation. Upon completion of the project the City, SBCTA, and Victor Valley Transportation Authority (VVTA), a County of San Bernardino transportation authority, agreed that project cost incurred, up to \$87,000, were to be billed and reimbursed by VVTA. VVTA would then be reimbursed by SBCTA for the amounts disbursed to the City of Hesperia for the associated project cost incurred. Due from other governments of \$44,515 represents TDA revenues which have not been received from VVTA as of June 30, 2020.

Note 4 - Due to the City of Hesperia

Due to the City of Hesperia of \$44,515 represents the amounts paid by the City on behalf of the TDA Funds for expenditures incurred for which reimbursements had not been received. The amount of \$2,348 represents amounts to be paid to the City's Measure I 2010-2040 Fund for expenditures associated with the Ranchero Road Improvements 7th to Mariposa and incurred by the Measure I 2010-2040 Fund.

Note 5 - Transfers to the City of Hesperia

Transfers to the City of Hesperia \$201,891 represent the TDA Article 8 costs incurred and reported by the City in the City's Street Maintenance Fund for general street maintenance activities.



Required Supplementary Information
June 30, 2020 and 2019

City of Hesperia, California
Transportation Development Act Funds

City of Hesperia, California
Transportation Development Act Funds

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 3 Fund
Years Ended June 30, 2020

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
TDA allocation	\$ 82,000	\$ 82,000	\$ 44,515	\$ (37,485)
Expenditures				
Current				
TDA expenditures	53,000	203,000	44,515	158,485
Net Change in Fund Balance	29,000	(121,000)	-	121,000
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance (Deficit), End of Year	\$ 29,000	\$ (121,000)	\$ -	\$ 121,000

City of Hesperia, California
Transportation Development Act Funds

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 8 Fund
Years Ended June 30, 2020

	Budget			Variance From Final Budget Positive (Negative)
<u>June 30, 2020</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	\$ 807,865	\$ 807,865	\$ 807,864	\$ (1)
Interest income	26,300	26,300	27,096	796
Total revenues	834,165	834,165	834,960	795
Expenditures				
Current				
TDA expenditures	841,854	841,854	122,389	719,465
Excess of revenues over expenditures	(7,689)	(7,689)	712,571	720,260
Other Financing Sources (Uses)				
Transfers to the City of Hesperia	(300,000)	(300,000)	(201,891)	98,109
Net Change in Fund Balance	(307,689)	(307,689)	510,680	818,369
Fund Balance, Beginning of Year	1,193,368	1,193,368	1,193,368	-
Fund Balance, End of Year	<u>\$ 885,679</u>	<u>\$ 885,679</u>	<u>\$ 1,704,048</u>	<u>\$ 818,369</u>
				Variance From Final Budget Positive (Negative)
<u>June 30, 2019</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	\$ 763,587	\$ 763,587	\$ 2,281,415	\$ 1,517,828
Interest income	4,587	4,587	26,672	22,085
Total revenues	768,174	768,174	2,308,087	1,539,913
Expenditures				
Current				
TDA expenditures	910,615	910,615	173,534	737,081
Excess of revenues over expenditures	(142,441)	(142,441)	2,134,553	2,276,994
Other Financing Sources (Uses)				
Transfers to the City of Hesperia	(750,000)	(750,000)	(750,000)	-
Net Change in Fund Balance	(892,441)	(892,441)	1,384,553	2,276,994
Fund Balance (Deficit), Beginning of Year	(191,185)	(191,185)	(191,185)	-
Fund Balance (Deficit), End of Year	<u>\$ (1,083,626)</u>	<u>\$ (1,083,626)</u>	<u>\$ 1,193,368</u>	<u>\$ 2,276,994</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.

The City did not adopt an annual budget for TDA Article 3 Fund for the fiscal year 2018-2019.



Supplementary Information
June 30, 2020 and 2019

City of Hesperia, California Transportation Development Act Funds

City of Hesperia, California
Transportation Development Act Funds
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2019	Expenditures	Unspent Allocations at 06/30/2020
Article 3	Bear Valley Road Bus Stop Relocation (CO 7148)	2017-18	\$ 87,000	\$ 87,000	\$ 44,515	\$ 42,485
Article 3	Willow Street Shared Use Phase I	2015-16	240,064	240,064	-	240,064
	Article 3 total		<u>\$ 327,064</u>	<u>\$ 327,064</u>	<u>\$ 44,515</u>	<u>\$ 282,549</u>
Article 8	Streets & Road Maintenance	2019-20	\$ 807,864	\$ -	\$ -	\$ 807,864
Article 8	Streets & Road Maintenance	2018-19	2,281,415	1,014,372	324,280	690,092
	Article 8 total		<u>\$ 3,089,279</u>	<u>\$ 1,014,372</u>	<u>\$ 324,280</u>	<u>\$ 1,497,956</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 and Article 8 Fund (TDA Funds) of the City of Hesperia, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Funds (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Funds 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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020 and 2019

City of Highland, California
Transportation Development Act Fund

City of Highland, California
Transportation Development Act Fund
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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Highland, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

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, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 and 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund's financial statements. The schedule of allocations received and expended, by project year, on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 accompanying schedule of allocations received and expended by project year 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Fund.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

City of Highland, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Assets		
Due from other governments	\$ 313,915	\$ 141,430
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 99,039	\$ 40,622
Due to the City of Highland	208,155	100,808
Retention payable	6,721	-
Total liabilities	313,915	141,430
Deferred inflows of resources		
Unavailable revenue	127,675	141,430
Fund balance (deficit)		
Unassigned	(127,675)	(141,430)
Total liabilities, deferred inflows of resources and fund balance	\$ 313,915	\$ 141,430

City of Highland, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Revenues		
TDA allocation	<u>\$ 429,095</u>	<u>\$ 167,902</u>
Expenditures		
Capital		
TDA expenditures	<u>415,340</u>	<u>189,534</u>
Net Change in Fund Balance	13,755	(21,632)
Fund Balance (Deficit), Beginning of Year	<u>(141,430)</u>	<u>(119,798)</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (127,675)</u></u>	<u><u>\$ (141,430)</u></u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Highland, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 10% of the project costs. The City satisfied the 10% match in the fiscal year by utilizing City funding for 10% of the total project costs incurred.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Article 3 Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for the activity of the Article 3 TDA Fund in its Article 3 Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its Article 3 special revenue fund.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Article 3 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Article 3 Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall. As of June 30, 2020 and 2019, the cash balance of the TDA fund is \$0.

D. Estimates

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

E. Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

Note 3 - Due to the City of Highland

Due to the City of Highland of \$208,155 represents the amounts paid by the City on behalf of the TDA Fund for expenditures incurred for which reimbursements had not yet been received.

Note 4 - Due from Other Governments

Due from Other Governments of \$313,915 represents the TDA allocations which had not been received from SBCTA as of June 30, 2020. The amount is also included in unavailable revenue as the amount was received outside of the City's period of availability.

Note 5 - Deficit Fund Balance

The TDA Fund reported a deficit fund balance of \$127,675. Article 3 allocations are received on a reimbursement basis. The timing difference between the expenditures and receipt of Article 3 revenues has created the deficit fund balance, which will be reduced by future Article 3 revenues received from SBCTA.



Required Supplementary Information
June 30, 2020 and 2019

City of Highland, California
Transportation Development Act Fund

City of Highland, California
Transportation Development Act Fund

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 3 Fund
Years Ended June 30, 2020 and 2019

	Budget			Variance From Final Budget Positive (Negative)
<u>June 30, 2020</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	\$ 415,350	\$ 415,350	\$ 429,095	\$ 13,745
Expenditures				
Capital				
TDA expenditures	415,350	415,350	415,340	10
Net Change in Fund Balance	-	-	13,755	13,755
Fund Balance (Deficit), Beginning of Year	(141,430)	(141,430)	(141,430)	-
Fund Balance (Deficit), End of Year	<u>\$ (141,430)</u>	<u>\$ (141,430)</u>	<u>\$ (127,675)</u>	<u>\$ 13,755</u>
<u>June 30, 2019</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	\$ 755,000	\$ 755,000	\$ 167,902	\$ (587,098)
Expenditures				
Capital				
TDA expenditures	755,000	755,000	189,534	565,466
Net Change in Fund Balance	-	-	(21,632)	(21,632)
Fund Balance (Deficit), Beginning of Year	(119,798)	(119,798)	(119,798)	-
Fund Balance (Deficit), End of Year	<u>\$ (119,798)</u>	<u>\$ (119,798)</u>	<u>\$ (141,430)</u>	<u>\$ (21,632)</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Supplementary Information
June 30, 2020 and 2019

City of Highland, California
Transportation Development Act Fund

City of Highland, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2019	Expenditures	Unspent Allocations at 06/30/2020
Article 3	9th St (Sidewalk & Bikeway DE)	2019-20	\$ 67,436	\$ -	\$ 27,714	\$ 39,722
Article 3	Base Line/Boulder/9th/Olive Tree Lane (Transit Access)	2019-20	53,897	-	7,252	46,645
Article 3	Highland/Redlands Regional Connector	2015-16	702,562	267,242	157,469	109,773
Article 3	Transit Access/Stop Improvements	2017-18	142,223	118,725	117,987	738
Article 3	Water Street Bicycle and Pedestrian	2015-16	95,420	80,850	45,865	34,985
Article 3	City Creek/Alabama Bikeways	2017-18	371,546	242,392	59,053	183,339
Total Allocations			<u>\$ 1,433,084</u>	<u>\$ 709,209</u>	<u>\$ 415,340</u>	<u>\$ 415,202</u>

Match Requirements:

These projects require a local match. The City has utilized bond proceeds from other sources for the match. The funding for the match amounts are as follows:

Highland/Redlands Regional Connector	\$702,562
Transit Access Improvements	23,989
Water Street Bicycle and Pedestrian	51,380
City Creek/Alabama Street Bikeways	92,887



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Highland, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020

Mountain Area Regional Transit Authority

Independent Auditor’s Report 1

Basic Financial Statements

 Statement of Net Position 3

 Statement of Revenues, Expenses and Changes in Net Position 4

 Statement of Cash Flows 5

 Notes to Financial Statements 6



Independent Auditor's Report

To the Board of Directors
Mountain Area Regional Transit Authority
Big Bear Lake, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Mountain Area Regional Transit Authority (MARTA) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise MARTA's basic 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MARTA as of June 30, 2020, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Management has omitted management's discussion and analysis 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 the 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 December 18, 2020, on our consideration of MARTA's internal control over financial reporting 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 and the results of that testing, and not to provide an opinion on the effectiveness of MARTA's 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 MARTA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 18, 2020

Mountain Area Regional Transit Authority

Statement of Net Position

June 30, 2020

Assets

Current Assets:

Cash and cash equivalents	\$ 1,864,434
Restricted cash and cash equivalents	1,416,206
Operating grants receivable	566,951
Capital grants receivable	42,570
Prepaid expenses	3,550

Total current assets	<u>3,893,711</u>
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Capital Assets:

Nondepreciable	1,162,862
Depreciable	6,683,799
Accumulated depreciation	<u>(4,997,488)</u>

Capital assets, net	<u>2,849,173</u>
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Total assets	<u>6,742,884</u>
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Liabilities

Current Liabilities:

Accounts payable	60,680
Accrued liabilities	139,687
Unearned revenue	<u>1,769,772</u>

Total liabilities	<u>1,970,139</u>
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Net Position:

Investment in capital assets	2,849,173
Unrestricted	<u>1,923,572</u>

Total net position	<u><u>\$ 4,772,745</u></u>
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Mountain Area Regional Transit Authority
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Operating Revenues:	
Fares	\$ 334,428
Operating Expenses:	
Operations	1,922,573
Maintenance	308,063
General and administration	1,351,010
Depreciation	751,787
Total operating expense	<u>4,333,433</u>
Operating (Loss)	<u>(3,999,005)</u>
Non-Operating Revenues and Expenses:	
Operating Assistance:	
Federal Transit Administration Section 5311	281,774
Local Transportation Fund Article 4	3,219,841
Measure I	99,092
Interest income	880
Interest expense	(3)
Reimbursement	287
Other	24,660
Total non-operating revenues (expenses)	<u>3,626,531</u>
Income (Loss) Before Capital Contributions	<u>(372,474)</u>
Capital Contributions:	
SOG - Capital	14,402
PTMISEA - Capital	81,362
STAF - Capital	397,845
LTF - Capital	113,078
Total capital contributions	<u>606,687</u>
Change in Net Position	234,213
Net Position, Beginning of Year	<u>4,538,532</u>
Net Position, End of Year	<u><u>\$ 4,772,745</u></u>

Mountain Area Regional Transit Authority

Statement of Cash Flows
Year Ended June 30, 2020

Operating Activities:	
Cash received from fares	\$ 444,291
Payments to employees	(2,530,998)
Payments to vendors for services	(1,109,811)
Net Cash used in Operating Activities	(3,196,518)
Non-Capital Financing Activities:	
Operating grants received	2,577,708
Advertising receipts	24,660
Net Cash Provided by Non-Capital Financing Activities	2,602,368
Capital and Related Financing Activities:	
Capital grants received	965,971
Purchase of capital assets	(325,557)
Net Cash provided by Capital and Related Financing Activities	640,414
Investing Activities:	
Investment income	880
Interest expense	(3)
Bank reimbursements	287
Net Cash Provided by Investing Activities	1,164
Net Decrease in Cash and Cash Equivalents	47,428
Cash and Cash Equivalents, Beginning of Year	3,233,212
Cash and Cash Equivalents, End of Year	\$ 3,280,640
Reconciliation of Operating (Loss) to Net Cash used in Operating Activities:	
Operating loss	\$ (3,999,005)
Adjustments to Reconcile Operating (Loss) to Net Cash used in Operating Activities:	
Depreciation expense	751,787
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Accounts receivable	109,863
Prepaid expenses	8,230
Increase (Decrease) in Liabilities:	
Accounts payable and accrued liabilities	(67,393)
Total adjustments	802,487
Net Cash used in Operating Activities	\$ (3,196,518)

Note 1 - Organization

Mountain Area Regional Transit Authority (MARTA) is a joint powers authority whose members are the City of Big Bear and the County of San Bernardino. MARTA provides bus services to the Big Bear Lake and Crestline Communities, off-the-mountain bus services, and dial-a-ride services. MARTA is governed by a Board of Directors comprised of representatives of the member jurisdictions and a member-at-large.

Note 2 - Summary of Significant Accounting Policies

The Financial Reporting Entity – MARTA meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

Basis of Accounting – MARTA is a single enterprise fund and maintains its records using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of related cash flows. The accounting policies of MARTA are in conformity with generally accepted accounting principles applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Operating and Non-Operating Revenue – MARTA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from directly providing services in connection with MARTA's principal operation of bus transit services. These revenues are primarily passenger fares. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. Non-operating revenues consist of federal, state and local operating grants and investment income. Operating expenses include operations, maintenance, and administrative expenses and depreciation on capital assets. Expenses not meeting this definition are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is MARTA's policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and cash equivalents includes demand deposits and amounts invested in savings accounts. For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term deposits with original maturities of three months or less from the date of acquisition.

Capital contributions consist of grants that are legally restricted for capital expenses by federal, state, or local law that established those charges. Grants for operating assistance and capital acquisitions are included in revenue in the period in which the grant was earned. Reimbursable federal capital grants are accrued when the related expenditures are incurred. Capital grant funds advanced but not yet earned are treated as unearned revenues. Also, operating funds advanced from San Bernardino County Transportation Authority (SBCTA) for working capital are treated as unearned revenues until earned. Operating assistance grants are included in non-operating revenues in the year in which the grant is applicable and the related expenses are incurred. Revenue earned under capital grants is recorded as capital contributions.

Capital assets are stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 to 30 years
Passenger facilities	5 to 10 years
Shop, office, transit, and other equipment	5 to 10 years

MARTA's capitalization threshold is \$1,000. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the useful lives are not capitalized.

Self-Insurance Liabilities – Claims liabilities, including claims incurred but not reported, are measured based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience.

Compensated Employee Absences – Compensated employee absences (vacation leave) are accrued as the employee's become entitled to use them. The balance is attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Net Position – Net position represents the difference between assets and liabilities and is classified into two categories:

- Investment in capital assets – This balance reflects the net position of MARTA invested in capital assets net of accumulated depreciation.
- Unrestricted – This balance represents the amount of net position that does not meet the definition of net investment in capital assets.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Governmental Accounting Standards Board (GASB) Pronouncements

Effective in Current Fiscal Year

GASB Statement No. 95 – In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately as they delayed the effective dates of several GASB Statements. The effective dates listed in the Future Governmental Accounting Standards Board (GASB) Pronouncement section have been updated to reflect the postponed effective dates.

Effective in Future Fiscal Years

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2019. MARTA has not determined the effect of this Statement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after June 15, 2021. MARTA has not determined the effect of this Statement.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2020. MARTA has not determined the effect of this Statement.

GASB Statement No. 90 – In September 2018, the GASB issued Statement No. 90, *Majority Equity Interests, An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2019. MARTA has not determined the effect of this Statement.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021. MARTA has not determined the effect of this Statement.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021. MARTA has not determined the effect of this Statement.

GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021. MARTA has not determined the effect of this Statement.

GASB Statement No. 94 – In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. MARTA has not determined the effect of this Statement.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. MARTA has not determined the effect of this Statement.

GASB Statement No. 97 – In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021. MARTA has not determined the effect of this Statement.

Note 3 - Federal, State, and Local Grants

Federal Assistance

MARTA receives allocated Federal operating assistance funds pursuant to Section 5311 of the Federal Transit Act of 1964. Such funds are apportioned to the rural or non-urbanized transit area by the Federal Transit Authority (FTA). Expenditures of Federal operating assistance funds are subject to final audit and approval by the FTA. The total amount of Federal assistance received by MARTA during the fiscal year was \$281,774.

Transportation Development Act

MARTA is subject to the provisions pursuant to Section 6634 of the California Code of Regulations and Sections 99268.4 and 99313.3 of the Public Utilities Code. MARTA receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971. These funds are generated within San Bernardino County and are allocated based on annual claims filed by MARTA and approved by SBCTA.

Mountain Area Regional Transit Authority

Notes to Financial Statements

June 30, 2020

A. Section 6634

Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the Local Transportation Fund and the State Transit Assistance Fund in an amount which exceeds the claimant's costs less the sum of fares received, local support required to meet the fare ratio, federal operating assistance, and the amount received during the year from a city or county to which the operator has provided service beyond its boundaries.

The computation of unearned revenue for the fiscal year is as follows:

	Operating Funds	Capital Funds	Total
Beginning balance, July 1, 2019	\$ 1,101,130	\$ 1,322,130	\$ 2,423,260
Gross receipts			
State Transportation Fund, Article 4	-	397,845	397,845
Local Transportation Fund, Article 4	2,428,238	113,078	2,541,316
Measure I	23,737	-	23,737
Interest income	-	3,305	3,305
Fares	334,428	-	334,428
LCTOP	-	105,429	105,429
State of Good Repair	-	81,133	81,133
Total gross receipts	2,786,403	700,790	3,487,193
Operating expenses, less depreciation	(3,516,239)	(65,407)	(3,581,646)
Capital acquisitions	(17,728)	(541,307)	(559,035)
Receipts over (under) expenses in current period	(747,564)	94,076	(653,488)
Amount unearned at June 30, 2020	\$ 353,566	\$ 1,416,206	\$ 1,769,772

B. Section 99268.4

Section 99268.4 indicates that in the case of an operator which is serving a non-urbanized area, the operator shall be eligible for local transportation funds in any fiscal year if it maintains, for the fiscal year, a ratio of fare revenues to operating cost at least equal to 10 percent.

Mountain Area Regional Transit Authority

Notes to Financial Statements

June 30, 2020

The fare ratio as of June 30, 2020, is calculated as follows:

Operating expenses	\$ 4,333,433
Less depreciation	(751,787)
Adjusted operating expenses	<u>\$ 3,581,646</u>
Fare revenue	\$ 334,428
Fare ratio	9.34%
Local funds (Measure I) used by the operator to supplement fare box revenues to satisfy the 10% fare ratio as permitted by section 9926.19	<u>23,737</u>
Adjusted fare revenue	<u>358,165</u>
Adjusted fare ratio	<u>10.00%</u>

Proposition 1B

The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund and California Transit Security Grant Program (CTSGP) are part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of \$19.9 billion was deposited into the State Prop 1B fund, \$3.6 billion of which was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation or replacement. Proposition 1B cash receipts and cash disbursements were as follows:

Unspent Prop 1B funds as of July 1, 2019	\$ 1,217,530
Prop 1B interest earned during fiscal year ended June 30, 2020	2,983
Prop 1B expenses incurred during fiscal year ended June 30, 2020	<u>(81,362)</u>
Unearned Balance, June 30, 2020	<u>\$ 1,139,151</u>

State of Good Repair

The Federal Transit Administration's State of Good Repair formula program grants are distributed to state and local governments in urbanized areas for repairs and upgrading of bus rapid transit systems that are at least seven years old. The total unearned balance as of June 30, 2020 was \$171,479.

Low Carbon Transit Operations Program

The Low Carbon Transit Operations Program (LCTOP) provides funds for approved projects to support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. The unearned balance of LCTOP as of June 30, 2020 was \$105,576.

Note 4 - Cash and Cash Equivalents

Deposits as of June 30, 2020, consist of the following:

Demand accounts	\$ 3,278,592
Undeposited funds	<u>2,048</u>
Total	<u><u>\$ 3,280,640</u></u>

Policies and Practices

MARTA is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations as specified in Section 53600. MARTA does not have a formal policy for investments that is more restrictive than the noted Government Code.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, MARTA 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. MARTA does not have a policy of custodial credit risk for deposits. The California Government Code does 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 government 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2020, \$2,973,515 of MARTA's deposits with financial institutions in excess of federal depository insurance limits was held in collateralized accounts as described above, but not in the name of MARTA.

Mountain Area Regional Transit Authority

Notes to Financial Statements

June 30, 2020

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, is as follows:

	Beginning Balance July 01, 2019	Additions	Deletions/ Transfers	Ending Balance June 30, 2020
Nondepreciable assets				
Land	\$ 542,457	\$ -	\$ -	\$ 542,457
Construction in progress	468,416	158,754	(6,765)	620,405
Subtotal nondepreciable assets	1,010,873	158,754	(6,765)	1,162,862
Depreciable assets				
Buildings and improvements	2,128,617	7,580	(4,606)	2,131,591
Passenger facilities	147,322	14,402	-	161,724
Shop, office and other equipment	4,240,028	151,586	(1,130)	4,390,484
Subtotal depreciable assets	6,515,967	173,568	(5,736)	6,683,799
Accumulated depreciation				
Buildings and improvements	(1,653,654)	(59,991)	4,606	(1,709,039)
Passenger facilities	(94,985)	(9,531)	-	(104,516)
Shop, office and other equipment	(2,502,798)	(682,265)	1,130	(3,183,933)
Subtotal accumulated depreciation	(4,251,437)	(751,787)	5,736	(4,997,488)
Net depreciable assets	2,264,530	(578,219)	-	1,686,311
Total capital assets	\$ 3,275,403	\$ (419,465)	\$ (6,765)	\$ 2,849,173

Note 6 - Risk Management

MARTA is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities, and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee. MARTA's share of the Authority's assets, liabilities, and equities is not available. Separate financial statements may be obtained at: 8081 Moody St., La Palma, California 90623.

Annual contributions to the Authority are made on a prospective basis. Retrospective adjustments on prior years are consolidated and temporarily deferred from payment. As of June 30, 2020, the retrospective deposit calculation resulted in a cumulative refund of \$2,347 to be applied in fiscal year 2020. The refund is included in prepaid expenses on the Statement of Net Position. MARTA has had no settled claims resulting from these risks that exceeded its coverage in any of the past three fiscal years.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk sharing pool. Additional information regarding the cost allocation methodology is provided below.

General Liability – Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers. The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/coverage/risk-sharing-pools/>.

Workers' Compensation – Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2019-20 the Authority's pooled retention is \$1 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$1 million. Coverage from \$1 million to \$5 million is purchased through reinsurance policies, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

Pollution Insurance – MARTA participates in the pollution legal liability insurance program which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by MARTA. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has an aggregate limit of \$50 million for the 3-year period from July 1, 2017 through July 1, 2020. Each member of the Authority has a \$10 million sub-limit during the 3-year policy term.

Property Insurance – MARTA participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. MARTA property is currently insured according to a schedule of covered property submitted by MARTA to the Authority. MARTA property currently has all-risk property insurance protection in the amount of \$2,419,429. There is a \$10,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$2,500 deductible.

Earthquake and Flood Insurance – MARTA purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. MARTA property currently has earthquake protection in the amount of \$473,681. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000.

Crime Insurance – MARTA purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority.

Special Event Tenant User Liability Insurance – MARTA further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on agency property. The insurance premium is paid by the tenant user and is paid to MARTA according to a schedule. MARTA then pays for the insurance. The insurance is facilitated by the Authority.

Note 7 - Compensated Absences

Accumulated unpaid personal leave consisting of vacation pay as of June 30, 2020 was \$81,394. MARTA's liability for compensated absences typically is liquidated within one year. The balance related to compensated absences is included in accrued liabilities in the Statement of Net Position.

Note 8 - Deferred Compensation Plan

MARTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all non-represented MARTA employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Management believes that MARTA has no fiduciary role under the plan, and plan funds are not available to MARTA's general creditors. Accordingly, MARTA has not reported plan assets in the accompanying financial statements.

Note 9 - 401(a) Retirement Plan

MARTA administers a defined contribution pension plan, the MARTA 401(a) Plan (Plan), which is available to nonrepresented employees who have attained 21 years of age and completed 500 hours of service. Plan provisions may be amended by MARTA under the provisions of Internal Revenue Code Section 401(a).

Participants may pass after-tax contributions to the Plan. MARTA's Plan contributions include matching 50 percent of elective deferral contributions to the employee's 457 plan and nonelective employer contributions. MARTA's contributions to the Plan totaled \$38,328 during the fiscal year ended June 30, 2020.

Note 10 - Line of Credit

MARTA has an unsecured line of credit with First Foundation Bank. As of June 30, 2020, the amount available on the line credit was \$300,000. The line of credit has a maturity date of April 5, 2021. No amounts were outstanding on the line of credit as of June 30, 2020 and MARTA has not made any withdrawals on the line of credit during the fiscal year.



Annual Financial Report
June 30, 2020

Morongo Basin Transit Authority

(A Joint Powers Authority)

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Independent Auditor's Report

To the Board of Directors
Morongo Basin Transit Authority
Joshua Tree, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Morongo Basin Transit Authority (MBTA), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise MBTA's basic 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morongo Basin Transit Authority as of June 30, 2020, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis 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.

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability on page 29, the schedule of contributions for the cost sharing retirement plan on page 30, and the schedule of changes in total OPEB liability and related ratios on page 31 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2020, on our consideration of MBTA's internal control over financial reporting 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 to solely 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 effectiveness of the MBTA's 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 MBTA's internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 17, 2020

Morongo Basin Transit Authority
Statement of Net Position
June 30, 2020

Assets		
Current assets		
Cash and cash equivalents, and investments	\$	3,157,467
Restricted cash		1,126,182
Receivables:		
Operating grants		934,305
Accrued revenue		40,397
Total current assets		<u>5,258,351</u>
Noncurrent Assets		
Property, plant and equipment, net		<u>5,979,025</u>
Total assets		<u>11,237,376</u>
Deferred Outflows of Resources		
Deferred amount related to pensions		375,716
Deferred amount related to OPEB		<u>202,694</u>
Total deferred outflows of resources		<u>578,410</u>
Liabilities		
Current liabilities		
Accounts payable		112,425
Compensated absences		93,182
Unearned revenue		<u>1,126,182</u>
Total current liabilities		<u>1,331,789</u>
Noncurrent liabilities		
Net pension liability		928,676
Total OPEB liability		<u>2,386,787</u>
Total noncurrent liabilities		<u>3,315,463</u>
Total liabilities		<u>4,647,252</u>
Deferred Inflows of Resources		
Deferred amount related to pensions		51,949
Deferred amount related to OPEB		<u>460,837</u>
Total deferred inflows of resources		<u>512,786</u>
Net Position		
Investment in capital assets		5,979,025
Unrestricted		<u>676,723</u>
Total net position	\$	<u><u>6,655,748</u></u>

Morongo Basin Transit Authority
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Operating Revenues	
Passenger fares	\$ 288,147
Procurement services	218,071
Taxi licensing services	13,270
Total operating revenues	<u>519,488</u>
Operating Expenses	
Operations	2,545,973
Maintenance	441,845
Administration	641,200
Procurement	255,168
Taxi licensing	15,488
Escort Program TREP	70,953
Depreciation	1,097,077
Total operating expense	<u>5,067,704</u>
Operating income (loss)	<u>(4,548,216)</u>
Non-Operating Revenues	
Operating Assistance:	
Local Transportation Fund Article 4	2,821,722
Measure I	116,987
Federal Transit Administration Section 5311	862,652
Federal Transit Administration Section 5310 TREP	71,003
Low Carbon Transit Operations Program	11,324
State and local grants	40,000
Interest income	19,246
Other	49,200
Gain on disposal of assets	32,875
Total non-operating revenues	<u>4,025,009</u>
Loss Before Capital Contributions	<u>(523,207)</u>
Capital Contributions	
State Transit Assistance Fund	336,778
Local Transportation Fund Article 4	6,707
Federal Congestion Mitigation and Air Quality	181,433
Proposition 1B	316,390
State of Good Repair	103,002
Total capital contributions	<u>944,310</u>
Change in Net Position	421,103
Net Position, Beginning of Year	<u>6,234,645</u>
Net Position, End of Year	<u><u>\$ 6,655,748</u></u>

Morongo Basin Transit Authority

Statements of Cash Flows

Years Ended June 30, 2020

Operating Activities:	
Cash received from fares	\$ 519,488
Payments to employees	(2,065,529)
Payments to vendors for services	<u>(1,843,758)</u>
Net Cash used in Operating Activities	<u>(3,389,799)</u>
Non-Capital Financing Activities:	
Operating grants received	<u>3,571,606</u>
Capital and Related Financing Activities:	
Capital grants received	715,262
Purchase of capital assets	(929,577)
Gain on disposal of assets	<u>32,875</u>
Net Cash used for Capital and Related Financing Activities	<u>(181,440)</u>
Investing Activities:	
Interest received	<u>19,246</u>
Net increase in Cash and Cash Equivalents	19,613
Cash and Cash Equivalents, Beginning of Year	<u>4,264,036</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,283,649</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:	
Cash and cash equivalents	\$ 3,157,467
Restricted cash	<u>1,126,182</u>
Total Cash and Cash Equivalents	<u>\$ 4,283,649</u>

Morongo Basin Transit Authority

Statements of Cash Flows

Years Ended June 30, 2020

Reconciliation of Operating Loss to Net Cash used in Operating Activities:	
Operating income (loss)	<u>\$ (4,548,216)</u>
Adjustments to Reconcile Operating (Loss) to Net Cash used in Operating Activities:	
Depreciation expense	1,097,077
Changes in Assets and Liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(17,387)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(24,188)
Health reimbursement liability	(228,962)
Net pension liability	111,665
Total OPEB liability	445,355
Change in deferred outflows of resources related to pensions	(15,251)
Change in deferred inflows of resources related to pensions	1,024
Change in deferred outflows of resources related to OPEB	(122,293)
Change in deferred inflows of resources related to OPEB	<u>(88,623)</u>
Total Adjustments	<u>1,158,417</u>
Net Cash used in Operating Activities	<u><u>\$ (3,389,799)</u></u>

Note 1 - Organization

Morongo Basin Transit Authority (MBTA) is a joint powers agency whose members are the County of San Bernardino, the City of Twentynine Palms, California, and the Town of Yucca Valley, California. MBTA provides bus services to the City of Twentynine Palms and the Town of Yucca Valley as well as certain surrounding county areas of the Morongo Basin. Transit services provided include fixed route and certain demand-response services. MBTA is governed by a Board of Directors comprised of representatives of the member jurisdictions and a member-at-large.

Note 2 - Summary of Significant Accounting Policies

The Financial Reporting Entity – MBTA meets the criteria as a stand-alone government, and accordingly, is accounted for and reported on as though it were a primary government.

Basis of Accounting – MBTA's proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Cash & Cash Equivalents includes demand deposits and amounts invested in the State treasurer's investment pool (the State of California Local Agency Investment Fund). For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term, highly liquid deposits with original maturities of three months or less from the date of acquisition.

Fair value Measurement - MBTA applies Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. MBTA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The MBTA does not have any investments that are measured using Level 3 inputs.

Grants for operating assistance and capital acquisitions are included in revenue in the period in which the grant was earned. Reimbursable federal capital grants are accrued when the related expenditures are incurred. Capital grant funds advanced but not yet earned are treated as unearned revenues. Also, operating funds advanced from San Bernardino County Transit Authority (SBCTA) for working capital are treated as unearned revenues until earned. Operating assistance grants are included in non-operating revenues in the year in which the grant is applicable and the related expenses are incurred. Revenue earned under capital grants is recorded as capital contributions. Operating grant activity for the fiscal year is detailed in Note 7.

Property, plant, and equipment is stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Capital assets being depreciated:	
Buildings and improvements	7 to 25 years
Office furniture, fixtures, and equipment	5 years
Buses	5 to 12 years
Vehicles	5 years
Information systems	5 years
Data handling equipment	5 years

MBTA's capitalization threshold for recognition of property, plant and equipment assets is \$300.

Self-Insurance Liabilities – MBTA's self-insured retention and incurred but not reported claims liabilities are covered by the California Transit Insurance Pool Joint Powers Insurance Authority pool in which they participate, detailed in Note 9.

Compensated Employee Absences – Compensated employee absences (vacation leave) are accrued as the employee's become entitled to use them. The balance is attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

Net Position – Net position represents the difference between assets and liabilities and is classified into two categories

- Investment in capital assets – This balance reflects the net position of MBTA invested in capital assets net of accumulated depreciation.
- Unrestricted – This balance represents the amount of net position that does not meet the definition of net investment in capital assets.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Restricted Cash – Public Transportation Modernization, Improvement and Service Enhancement Account Program (PTMISEA), State of Good Repair, and Low Carbon Transit Operations Program cash balances are restricted for capital projects. The amount held at June 30, 2020 is \$1,126,182.

Operating and Non-Operating Revenue – MBTA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from directly providing services in connection with MBTA's operation of bus transit services, procurement services and taxi licensing services. These revenues are primarily passenger fares, fees collected from transit agencies for procurement assistance and taxi licensing fees collected. Operating expenses include the cost of sales and services, administrative expenses, contracted services and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital Contributions – Consist of grants that are legally restricted for capital expenses by federal, state, or local law that established those charges.

Restricted and Unrestricted Resources – When both restricted and unrestricted resources are available for use, it is MBTA's policy to use restricted resources first, and then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources – MBTA reported deferred outflows and inflows of resources related to pensions and OPEB. A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position by the government that is applicable to a future period. Refer to Note 11 and 14 for items identified as deferred inflows and outflows as of June 30, 2020.

Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MBTA's California Public Employees Retirement System (CalPERS) plans and additions to and deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) – OPEB expense, deferred outflows/inflows of resources related to OPEB, and an implied subsidy payment were used to measure the total OPEB liability. MBTA does not provide any cash subsidy towards the benefit, and there are no assets accumulated in a trust for the plan.

New Accounting Pronouncements

Governmental Accounting Standards Board (GASB)

The following lists recent Governmental Accounting Standards Board (GASB) pronouncements implemented or are effective in fiscal year 2019-20:

GASB Statement No. 95– In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement are effective immediately as they delayed the effective dates of several GASB Statements. The effective dates listed in the Future Governmental Accounting Standards Board (GASB) Pronouncement section have been updated to reflect the postponed effective dates.

Future Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 90 – In September 2018, the GASB issued Statement No. 90, *Majority Equity Interests, An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 94— In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96— In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97— In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021.

Note 3 - Procurement Activity and Taxi Licensing Activity

Procurement activities are for services provided to local transit agencies assisting with procurement of buses. The State of California Department of Transportation and the San Bernardino Transit Authority have agreed that procurement revenues are available to be retained and expended at management's discretion including TDA eligible projects. For the year ended June 30, 2020, procurement revenues were expended on bid expenses and transit assistance grant programs to local transit agencies. Remaining procurement expenses were allocated to fund administrative activities of MBTA, based on approved budgeted balances.

Taxi licensing activities are for the licensing of taxi service providers of the Morongo Basin and funds are retained to reimburse costs incurred in operation and administration of taxi licensing activity. For the year ended June 30, 2020 these expenses included legal fees, insurance, drug testing, background verification, rents and utilities.

MBTA reports procurement and taxi licensing activities with transit operations. Internally, MBTA tracks procurement and taxi licensing activities as follows:

Procurement activities balance from prior year	\$ 1,560,968
Change in balance	<u>(37,097)</u>
Ending balance of procurement activities	<u><u>\$ 1,523,871</u></u>
Taxi licensing activities balance from prior year	\$ 80,876
Change in balance	<u>(2,218)</u>
Ending balance of taxi licensing activities	<u><u>\$ 78,658</u></u>

The balances are included within unrestricted net position on the statement of net position.

Note 4 - Cash and Investments

Cash and cash equivalents	\$ 3,157,467
Restricted cash	<u>1,126,182</u>
Total	<u><u>\$ 4,283,649</u></u>

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 304
Demand accounts	3,411,981
Local Agency Investment Fund (LAIF)	<u>871,364</u>
Total	<u><u>\$ 4,283,649</u></u>

Policies and Practices

MBTA is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations as specified in Section 53600. MBTA does not have a formal policy for investments that is more restrictive than that noted in government code.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. MBTA does not have a formal policy related to investment interest rate risk.

Credit Risk

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. MBTA does not have a formal policy related to its credit risk.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, MBTA 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. MBTA does not have a policy of custodial credit risk for deposits. The California Government Code does 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 government 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2020, the first \$250,000 of deposits were insured under FDIC. Further, up to \$750,000 of deposits were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of MBTA, leaving \$1,989,651 exposed to credit risk for deposits as of June 30, 2020.

LAIF Investment Pool

MBTA is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. LAIF is not registered with the Securities and Exchange Commission. The fair value of MBTA's investment in this pool is reported in the accompanying financial statements at amounts based upon MBTA'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 on demand is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2020, MBTA's balance in LAIF was \$871,364.

Fair Value Measurements

MBTA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. MBTA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in the LAIF Investment Pool are made on the basis of \$1 and not fair value. Accordingly, MBTA's investments in LAIF at June 30, 2020 of \$871,364 is measured based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

Note 5 - Federal, State, and Local GrantsFederal Assistance

MBTA receives allocated Federal operating assistance funds pursuant to Section 5311 of the Federal Transit Act of 1964. Such funds are apportioned to the local urbanized area by the Federal Transit Authority (FTA). Expenditures of Federal operating assistance funds are subject to final audit and approval by the FTA. Total FTA assistance provided during the fiscal year ended June 30, 2020 was \$1,115,088.

Transportation Development Act

MBTA is subject to the provisions pursuant to Section 6634 of the California Code of Regulations and Sections 99268.4 and 99313.3 of the Public Utilities Code. MBTA receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971. These funds are generated within San Bernardino County and are allocated based on annual claims filed by MBTA and approved by SBCTA.

A. Section 6634

Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the local transportation fund and the State Transit Assistance Fund in an amount which exceeds the claimant's costs less the sum of fares received, local support required to meet the fare ratio, federal operating assistance, and the amount received during the year from a city or county to which the operator has provided service beyond its boundaries.

The computation of unearned revenue for 2020 is as follows:

	Operating Funds	Capital Funds
Beginning balance, July 1, 2019	\$ -	\$ 1,355,230
Gross receipts: **		
Fares	288,147	-
State Transit Assistance Fund	-	336,778
Federal Transit Admin Section 5311	398,562	181,433
Local Transportation Fund, Article 3	-	6,707
Local Transportation Fund, Article 4	2,811,118	-
Measure I	78,394	-
Interest income	-	8,502
LCTOP	-	103,939
SB1 State of Good Repair	-	115,042
FTA Section 5310	52,538	-
Total Gross Receipts	<u>3,628,759</u>	<u>752,401</u>
Operating expenses, less depreciation	3,970,627	
Less:		
MBTA reported procurement operations expense	(255,168)	-
MBTA reported taxi licensing operations expense	(15,488)	-
Capital acquisitions	<u>-</u>	<u>981,449</u>
Receipts over (under) expenses in current period	(71,212)	(229,048)
Cumulative expenses over receipts at beginning of period	(355,803)	-
Cumulative expenses over receipts at end of period	<u>(427,015)</u>	<u>-</u>
Amount Unearned at June 30, 2020	<u>\$ -</u>	<u>\$ 1,126,182</u>

**\$218,071 procurement operating revenue and \$13,270 of taxi licensing operating revenue were excluded from the unearned revenue calculation as these activities represent operations excluded from Transportation Development Act requirements.

B. Section 99268.4

Section 99268.4 indicates that in the case of an operator which is serving a non-urbanized area, the operator shall be eligible for local transportation funds in any fiscal year if it maintains, for the fiscal year, a ratio of fare revenues to operating cost at least equal to 10 percent.

Morongo Basin Transit Authority

Notes to Financial Statements

June 30, 2020

The fare ratio as of June 30, 2020, is calculated as follows:

Operating expenses	\$ 5,067,704
Less MBTA reported procurement operations expense	(255,168)
Less MBTA reported taxi licensing operations expense	(15,488)
Less capital expenses related to the short range transit plan	(34,557)
Less depreciation	(1,097,077)
Adjusted operating expenses	<u>\$ 3,665,414</u>
Fare revenue	\$ 288,147
Fare ratio	7.86%
Local Funds (Measure I) used by the operator to supplement fare box revenues to satisfy the 10% fare ratio as permitted by section 9926.19	<u>78,394</u>
Adjusted fare revenue	<u>366,541</u>
Adjusted fare ratio	<u>10.00%</u>

Proposition 1B

The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund is a part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of \$19.9 billion was deposited into the PTMISEA fund, \$3.6 billion of which was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation or replacement. Proposition 1B cash receipts and cash disbursements were as follows:

Unspent PTMISEA funds as of July 1, 2019	\$ 1,243,396
PTMISEA funds received during fiscal year ended June 30, 2020	1,202
PTMISEA funds expended during fiscal year	<u>(317,592)</u>
Unearned Balance, June 30, 2020	<u>\$ 927,006</u>

State of Good Repair

The Federal Transit Administration's State of Good Repair formula program grants are distributed to state and local governments in urbanized areas for repairs and upgrading of bus rapid transit systems that are at least seven years old. The total unearned balance as of June 30, 2020 was \$106,561.

Low Carbon Transit Operations Program

The Low Carbon Transit Operation Program (LCTOP) provides funds for approved projects to support new or expanded bus or rail services, expand intermodal facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services of facilities, which each project reducing greenhouse gas emissions. The unearned balance of LCTOP fund as of June 30, 2020, was \$92,615.

Note 6 - Capital Assets

Capital asset activity for the fiscal years ended June 30, 2020, is as follows:

	Beginning Balance July 01, 2019	Additions	Retirements	Ending Balance June 30, 2020
Capital assets being depreciated:				
Buildings and improvements	\$ 10,036,237	\$ 206,057	\$ -	\$ 10,242,294
Office furniture, fixtures and equipment	205,224	5,630	-	210,854
Buses	6,868,582	661,700	1,459,666	6,070,616
Vehicles	171,009	52,591	-	223,600
Information systems	28,892	3,599	2,954	29,537
Data handling equipment	594	-	-	594
	<u>17,310,538</u>	<u>929,577</u>	<u>1,462,620</u>	<u>16,777,495</u>
Less accumulated depreciation for:				
Buildings and improvements	5,880,288	451,236	-	6,331,524
Office furniture, fixtures and equipment	199,092	6,563	-	205,655
Buses	4,896,756	623,470	1,459,666	4,060,560
Vehicles	165,341	12,072	-	177,413
Information systems	22,061	3,736	2,954	22,843
Data handling equipment	476	-	-	476
	<u>11,164,014</u>	<u>1,097,077</u>	<u>1,462,620</u>	<u>10,798,471</u>
Capital assets, net of accumulated depreciation	<u>\$ 6,146,524</u>	<u>\$ (167,500)</u>	<u>\$ -</u>	<u>\$ 5,979,025</u>

Note 7 - Operating Grants

Operating grants receivable at June 30, 2020 were \$934,305. This balance was composed of \$879,952 of Federal operating assistance grant funds and \$54,353 from State and local sources.

Note 8 - Line of Credit

MBTA has an unsecured line of credit with Pacific Western Bank. As of June 30, 2020, the amount available on the line of credit was \$500,000. The line of credit has a maturity date of May 12, 2021. Upon drawing on loan, MBTA will pay regular monthly payments of all accrued interest. The interest rate on the line of credit is variable at 7.75 percent as of June 30, 2020. No amounts were outstanding on the line of credit as of June 30, 2020 and MBTA had not made any withdrawals on the line of credit during the fiscal year.

Note 9 - Self-Insurance

MBTA is a member of the California Transit Insurance Pool CalTIP Joint Powers Insurance Authority (Authority). The Authority is composed of over 30 California public entities, and is organized under a joint powers agreement pursuant to California law. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Authority began covering claims of its members in 1987.

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, MBTA's outstanding claims are valued. A rate offset computation is then conducted annually thereafter, until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. As of June 30, 2020, the retrospective calculation has not resulted in any additional liabilities for the general liability and physical damage policies. MBTA paid premiums to CalTIP of \$279,221 for the fiscal year ended June 30, 2020. MBTA has had no settled claims resulting from these risks that exceeded its coverage in any of the past three fiscal years.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk sharing pool. Additional information regarding the cost allocation methodology is provided below.

MBTA has self-insurance programs for the following risks:

- Liability to a maximum of \$1,000,000 per incident is insured through CalTIP, over which coverage is provided to \$10,000,000 per incident by a private carrier through CalTIP.
- Physical damage to a maximum of \$2,500 to \$5,000 for buses and support vehicles per incident, over which coverage is provided to the actual cash value of the vehicle by CalTIP not to exceed \$100,000.
- Workers compensation to a maximum of \$125,000 per incident is covered by CSAC Insurance Authority, over which coverage is provided to \$50,000,000 by the excess workers compensation program of the CSAC Insurance Authority.

Note 10 - Compensated Absences

The balance of \$93,182 is related to accumulated unpaid personal leave which includes vacation and comp pay accrued at June 30, 2020. MBTA's liability for compensated absences typically is liquidated within one year.

Note 11 - Employees' Retirement Plan

(a) General Information about the Pension Plan

Plan Description

MBTA contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit plan that acts as a common investment and administrative agent for participating entities within the State of California. The CalPERS Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. The risk pools are included within the Public Employees' Retirement Fund C (PERF C). CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. The benefits for the public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. CalPERS issues a public Comprehensive Annual Financial Report that includes financial statements and required supplementary information for CalPERS. CalPERS reports include a full description of the pension plans regarding benefit provisions, assumptions, membership information, and related financial information can be found on the CalPERS website.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

The Plans provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous	
	Classic - Prior to January 1, 2013	PEPRA - On or After January 1, 2013
Hire Date		
Formula	2.0% @60	2.0% @62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-60	50-62
Monthly benefits, as a % of annual salary	2.00%	2.00%
Required employee contribution rate	7.0%	6.25%
Required employer contribution rate	8.081%	6.985%
Plus: annual required lump sum payment	\$ 51,385	\$ 3,791

Contributions

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. MBTA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Employer contributions to the pension plan for the year ended June 30, 2020 were \$188,122.

(b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, MBTA's proportionate share of the collective net pension liability of the Plan is \$928,676.

MBTA's net pension liability was measured as the proportionate share of the collective net pension liability of the cost sharing plan. The net pension liability of the Plan was measured as of June 30, 2019 and the total pension liability for the Plan was used to calculate the net pension liability determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard actuarial procedures. MBTA's proportion of the net pension liability was based on a projection of MBTA's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. MBTA's proportion of the Plan as of June 30, 2018 and 2019 were as follows:

	Miscellaneous
Proportion - June 30, 2018	0.00848%
Proportion - June 30, 2019	0.00906%
Change - Increase (Decrease)	0.00058%

Morongo Basin Transit Authority

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, MBTA recognized pension expense of \$285,560. At June 30, 2020, MBTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 44,284	\$ (15,698)
Differences between Expected and Actual Experience	64,500	(4,997)
Differences between Projected and Actual Investment Earnings	-	(16,236)
Differences between Employer's Contributions and Proportionate Share Contributions	762	(15,018)
Change in Employer's Proportion	78,048	-
Pension Contributions Made Subsequent to Measurement Date	188,122	-
Total	<u>\$ 375,716</u>	<u>\$ (51,949)</u>

The amount of \$188,122 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ 100,189
2022	16,195
2023	15,979
2024	3,281
	<u>\$ 135,644</u>

(c) Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.38% ⁽¹⁾
Mortality	Derived using CalPERS' Membership Data for all funds

⁽¹⁾ Net of pension plan investment and administrative expenses, includes inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

(d) Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the MBTA's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(e) Long-Term Expected Rate of Return

In determining the long-term expected 7.15 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees' Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the fund. The expected rate of return was set by calculating the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for the Plan. These geometric rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return Years 1-10	Long-term Expected Real Rate of Return Years 11 +
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

(f) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of MBTA for the Plan, calculated using the discount rate, as well as what the MBTA's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
MBTA's proportionate share of the net pension liability	\$ 1,590,979	\$ 928,676	\$ 381,992

(g) Pension Plan Fiduciary Net Position

Detailed information about the pension plans fiduciary net position is available in the separately issued CalPERS financial reports.

Note 12 - Health Reimbursement Arrangement

MBTA maintains a Health Reimbursement Arrangement (HRA) qualifying as a tax-favored benefit under IRS Publication 502. Active MBTA employees accrue up to \$600 a month towards the HRA for the reimbursement of qualifying medical expenses. Qualifying medical expenses are reimbursed to an employee, or their immediate family, at management's discretion. Unused balances are carried over year to year, however, MBTA does not pay unused HRA benefits upon termination of employment. As of June 30, 2020, HRA reimbursements in the amount of \$82,736 were reported as operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position. The total HRA liability as of June 30, 2020 is \$0.

Note 13 - Deferred Compensation Plan

MBTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all non-represented MBTA employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Management believes that MBTA has no fiduciary role under the plan, and plan funds are not available to MBTA's general creditors. Accordingly, MBTA has not reported plan assets in the accompanying financial statements.

Note 14 - Post Employment Benefits

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Plan Description: MBTA offers single employer defined benefit plan (the Plan) which provides post-retirement medical benefits to eligible retirees through the California Public Employees Medical and Hospital Care Act (PEMHCA). PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. These benefits are available to employees who reached age 62 and completed at least five years of service. Participation in PEMHCA is financed in part by MBTA contributions to PEMHCA through the CalPERS health system, with the balance paid by the employee. MBTA's contribution for most active employees was a maximum of \$600 and \$300 per month for retirees. CalPERS issues a public Comprehensive Annual Financial Report that includes financial statements and required supplementary information for PEMHCA which can be found on the CalPERS website. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided: MBTA funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$600 per month for each retirees' benefits from MBTA funds as they become due with no pre-funding for future years. MBTA recognizes expenses for its share of the annual premiums as these benefits become due.

Employees Covered by Benefit Terms: At June 30, 2018, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	38
Inactive employees or beneficiaries currently receiving benefits	8
Total	<u>46</u>

Contributions: The contribution requirements for MBTA are established and may be amended by MBTA's Board of Directors. The contribution required to be made under labor agreement requirements is based on a pay-as-you-go basis (i.e., as monthly PEMHCA contributions for eligible retiree's cost become due). For fiscal year 2019-2020, the total contributions made to the plan were \$31,753.

Total OPEB Liability: MBTA's total OPEB liability of \$2,386,787 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.13%
Payroll Growth	3.00%
Mortality	(1)
Healthcare Trend Rate	5.90% for 2019; 5.80% for 2020; and decreasing by 0.10% per year to 5.00% for 2028 and later years.

(1) Pre-retirement Mortality: RP-2014 Employee Mortality, without projection.

Post-retirement Mortality: RP-2014 Healthy Annuitant Mortality, without projection.

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2019	<u>\$ 1,941,432</u>
Changes in the year:	
Service cost	241,469
Interest	78,383
Changes in assumptions	161,055
Benefit payments, including implicit subsidy	(35,552)
Net changes	<u>445,355</u>
Balance at June 30, 2020	<u>\$ 2,386,787</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of MBTA, as well as what MBTA's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.13 percent) or 1 percentage-point higher (4.13 percent) than the current discount rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	\$ 2,772,552	\$ 2,386,787	\$ 2,074,576

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of MBTA, as well as what MBTA's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (4.9% decreasing to 4.0%)	Healthcare Cost Trend Rate (5.9% decreasing to 5.0%)	1% Increase (6.9% decreasing to 6.0%)
Total OPEB Liability	\$ 2,021,709	\$ 2,386,787	\$ 2,847,439

OPEB Expense and Deferred Outflows of Resources Related to OPEB: For the year ended June 30, 2020, MBTA recognized OPEB expense of \$262,225. At June 30, 2020, MBTA reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected/actual experience	\$ -	\$ (460,837)
Changes in assumption or other inputs	170,941	-
OPEB benefits paid subsequent to measurement date as they became due	31,753	-
Total	<u>\$ 202,694</u>	<u>\$ (460,837)</u>

\$31,753 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date as they became due will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ (57,627)
2022	(57,627)
2023	(57,627)
2024	(57,627)
2025	(57,627)
Thereafter	<u>(1,761)</u>
	<u><u>\$ (289,896)</u></u>

Required Supplementary Information
June 30, 2020

Morongo Basin Transit Authority

Morongo Basin Transit Authority
Cost Sharing Retirement Plan
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Years*
Years Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Proportion of the collective net pension liability	0.00906%	0.0000848	0.00841%	0.00802%	0.00841%	0.00915%
Proportionate share of the collective net pension liability	\$ 928,676	\$ 928,676	\$ 834,456	\$ 694,380	\$ 477,834	\$568,496
Covered payroll**	\$ 1,660,794	\$ 1,478,115	\$ 1,288,112	\$ 1,189,863	\$ 1,167,401	\$ 1,208,367
Proportionate Share of the net pension liability as a percentage of covered payroll	55.92%	62.83%	64.78%	58.36%	40.93%	44.18%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

* Fiscal year 2015 was the first year of implementation.

**Covered Payroll: In accordance with GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73, covered payroll have been restated to show covered payroll based on pensionable earnings.

Morongo Basin Transit Authority

Cost Sharing Retirement Plan

Schedule of Pension Contributions

Last Ten Years*

Years Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 132,946	\$ 110,190	\$ 101,940	\$ 89,367	\$ 97,304	\$ 97,728
Contributions in relation to the actuarially determined contribution	(132,946)	(110,190)	(101,940)	(89,367)	(97,304)	(97,728)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll**	\$ 1,768,347	\$ 1,660,794	\$ 1,478,115	\$ 1,288,112	\$ 1,189,863	\$ 1,167,401
Contributions as a percentage of covered payroll	7.52%	6.63%	6.90%	6.94%	8.18%	8.37%

* Fiscal year 2015 was the first year of implementation.

** Covered Payroll: In accordance with GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73, covered payroll have been restated to show covered payroll based on pensionable earnings.

Morongo Basin Transit Authority
 Other Post Employment Benefits
 Schedule of Changes in Total OPEB Liability and Related Ratios
 Last Ten Years*
 Years Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 241,469	\$ 243,107	\$ 307,069
Interest	78,383	88,680	74,734
Differences between actual and expected experience	-	(638,083)	-
Changes in assumptions	161,055	47,476	-
Benefit payments, including refunds of employee contributions	(35,552)	(33,163)	(33,163)
Net change in total OPEB liability	445,355	(291,983)	348,640
Total OPEB liability - beginning	1,941,432	2,233,415	1,884,775
Total OPEB liability - ending	<u>\$ 2,386,787</u>	<u>\$ 1,941,432</u>	<u>\$ 2,233,415</u>
Covered-employee payroll	\$ 1,631,908	\$ 1,478,115	\$ 1,288,112
Total OPEB liability as a percentage of covered-employee payroll	146%	131%	173%

Notes to Schedule:

Funding Policy: MBTA funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

* Fiscal year 2018 was the first year of implementation.



Financial Statements
June 30, 2020 and 2019

City of Needles, California
Transportation Development Act Fund

City of Needles, California
Transportation Development Act Fund
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Needles, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinions

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, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 and 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund's financial statements. The schedule of allocations received and expended, by project year, on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 accompanying schedule of allocations received and expended by project year 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Fund.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

City of Needles, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	<u>2020</u> <u>Article 3</u>	<u>2019</u> <u>Article 3</u>
Assets		
Cash and investments	<u>\$ 725</u>	<u>\$ 725</u>
Fund Balance		
Restricted	<u>\$ 725</u>	<u>\$ 725</u>

City of Needles, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Revenues		
TDA allocation	<u>\$ 231,101</u>	<u>\$ 30,189</u>
Expenditures		
Current		
TDA expenditures	<u>231,101</u>	<u>30,189</u>
Net Change in Fund Balance	-	-
Fund Balance, Beginning of Year	<u>725</u>	<u>725</u>
Fund Balance, End of Year	<u><u>\$ 725</u></u>	<u><u>\$ 725</u></u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Needles, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 10% of the project costs. The City satisfied the 10% match in the fiscal year by utilizing City funding for 10% of the total project costs incurred.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Article 3 Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for the activity of the Article 3 TDA Fund in its Article 3 Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its Article 3 special revenue fund.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Article 3 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Article 3 Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

D. Estimates

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



Required Supplementary Information
June 30, 2020 and 2019

City of Needles, California
Transportation Development Act Fund

City of Needles, California
Transportation Development Act Fund

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 3 Fund
Years Ended June 30, 2020 and 2019

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
<u>June 30, 2020</u>				
Revenues				
TDA allocation	\$ -	\$ -	\$ 231,101	\$ 231,101
Expenditures				
Current				
TDA expenditures	-	-	231,101	(231,101)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	725	725	725	-
Fund Balance, End of Year	<u>\$ 725</u>	<u>\$ 725</u>	<u>\$ 725</u>	<u>\$ -</u>

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
<u>June 30, 2019</u>				
Revenues				
TDA allocation	\$ -	\$ -	\$ 30,189	\$ 30,189
Expenditures				
Current				
TDA expenditures	-	-	30,189	(30,189)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	725	725	725	-
Fund Balance, End of Year	<u>\$ 725</u>	<u>\$ 725</u>	<u>\$ 725</u>	<u>\$ -</u>

Note 1 - Budgetary Data

The City did not adopt a budget for the TDA Fund in 2020 or 2019.



Supplementary Information
June 30, 2020 and 2019

City of Needles, California
Transportation Development Act Fund

City of Needles, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

<u>Article</u>	<u>Project/Use</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at 06/30/2019</u>	<u>Expenditures</u>	<u>Unspent Allocations at 06/30/2020</u>
Article 3	In-Fill Sidewalk	2015-2016	<u>\$ 231,101</u>	<u>\$ 231,101</u>	<u>\$ 231,101</u>	<u>\$ -</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Needles, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Fund (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



January 22, 2021

Board of Directors
Omnitrans
San Bernardino, California

We have audited the financial statements of Omnitrans as of and for the year ended June 30, 2020, and have issued our report thereon dated January 22, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance

As communicated in our engagement letter dated May 8, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether Omnitrans complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Omnitrans' major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Omnitrans solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of Omnitrans' major federal program compliance, is to express an opinion on the compliance for Omnitrans' major federal program based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing 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 internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of Omnitrans' internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated January 22, 2021. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated January 22, 2021.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Omnitrans is included in Note 1 to the financial statements. Omnitrans adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, as of July 1, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are Management's estimates of the fair value of investments, estimate of the risk management liability for claims payable, and the estimate of amounts related to the net pension liability and the related deferred inflows and outflows of resources.

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Omnitrans' financial statements relate to:

The disclosure of Omnitrans' defined benefit pension plan, net pension liability and related deferred inflows of resources and deferred outflows of resources in Note 8 to the financial statements. The valuation of the net pension liability and related deferred outflows/inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed in Note 8, a 1% increase or decrease in the discount rate has a material effect on Omnitrans' net pension liability.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

There were no corrected or uncorrected misstatements identified as a result of our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated January 22, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Omnitrans, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Omnitrans' auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Omnitrans' audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

However, in accordance with such standards, we will review the information inputted into the data collection form and will consider whether such information, or the manner of its presentation, is materially consistent with the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Directors and management of Omnitrans and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California

CONNECTING OUR COMMUNITY



OmniTrans, San Bernardino, CA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2020

With Comparative Totals for June 30, 2019



To the members of the Board of Directors and employees of Omnitrans,

We are pleased to present Omnitrans' Comprehensive Annual Financial Report (CAFR) for Fiscal Year (FY) ended June 30, 2020. The financial statements are presented in conformity with general accepted accounting principles and were audited in accordance with general accepted auditing standards by a firm of licensed certified public accountants.

At this time last year, we knew FY2020 would be time of change and bring about new challenges for Omnitrans, but never did we imagine anything of the magnitude of what has occurred. We find ourselves, along with the rest of the country and the world, navigating a global pandemic and its' devastating public health and economic impacts. We came into this year focused on developing a plan to align service levels with forecasted funding levels to ensure the long-term financial sustainability of the agency. This culminated with the Board

approved, ConnectForward service plan. In addition to implementing elements of this plan, because of the pandemic we have further reduced service levels to align with the steep ridership decline it has caused.

While the current health crisis certainly presents challenges, it also presents opportunities. The agency remains focused on the dual objectives of service resumption and ensuring long-term financial sustainability and stewardship. We will strategically and prudently increase service as ridership and demand for service resumes. The ConnectForward Plan enhanced regional transit connections to Metrolink and Riverside County with new direct service connecting Ontario and Eastvale and service to the Coachella Valley via Sunline Transit, and renewed our commitment to our customers, more than half of whom are taking essential trips to work during the pandemic.

We recognize the pandemic has accelerated a disruption that was already occurring in our industry with transit ridership declining and demand for more personalized service in the new era of transportation network companies (TNC's) along with regional travel and commuting pattern changes in light of increased remote working arrangements. As such, work on a new five-year Strategic Plan is underway which will consider the transportation priorities of the region and the communities we serve as we develop a refined vision and mission for the agency.

During FY2020, the COVID-19 crisis has forced the agency to innovate on all levels of the organization to respond to the changing needs of employees and customers. OmniRide, Omnitrans' first microtransit pilot project was implemented in Chino and Chino Hills. This on-demand, technology enabled service, allows customers to plan and book their trip using an app. To further use of contactless payment, Omnitrans mobile payment app, Token Transit, was integrated with the Transit app, which allows customers to plan, pay and track their trip on one app. In addition, the agency continues its on-going efforts to meet the requirements of the California Air Resource Board Innovative Clean Transit (ICT) Regulation. Omnitrans expects delivery of the first four zero emission, battery electric buses in early 2021, which initiates the plan to transition to a zero-emission fleet by 2040.

Ultimately, Omnitrans is about providing valued public transit services to the San Bernardino Valley. We could not do this without people - our Board Members and our employees. I want to personally thank the members of the Omnitrans Board of Directors for their leadership, guidance, and support. I also want to thank our employees, our front-line, essential workers for their commitment to keep service operating during the pandemic for those who need it the most. Omnitrans is an organization that is focused on the future and committed to excellence, innovation, financial and environmental stewardship. While we know uncertainties lie ahead, we are poised to rise to the challenge.

Sincerely,

Erin Rogers

CEO/General Manager

OMNITRANS

San Bernardino, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2020
With Comparative Totals for June 30, 2019
(With Independent Auditor's Report Thereon)



Prepared by the Finance Department

DONALD WALKER
Director of Finance

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INTRODUCTORY SECTION



January 22, 2021

To the Members of the Omnitrans Board of Directors, CEO/General Manager and Citizens of the County of San Bernardino:

California Government Code section 6505 require that Omnitrans publish within twelve months of the close of each fiscal year a complete set of audited financial statements. This report is published in fulfillment of that requirement for the fiscal year ended June 30, 2020.

This report provides an independently audited account of the financial condition of the Agency. The financial statements, supplemental schedules, and statistical information are the representations of Omnitrans' management. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Consequently, management assumes full responsibility for their accuracy, completeness and fairness.

Eide Bailly, LLP, a firm of licensed certified public accountants, audited Omnitrans financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended June 30, 2020, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Omnitrans' financial statements for the fiscal year ended June 30, 2020 are fairly represented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

continued on next page

Omnitrans • 1700 West Fifth Street • San Bernardino, CA 92411
Phone: 909-379-7100 • Web site: www.Omnitrans.org • Fax 909-889-5779

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The independent audit of the financial statements of Omnitrans was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report on the fair presentation of the financial statements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in a separate Single Audit report.

As stewards of the taxpayer's money, Omnitrans continues to achieve its primary objective of safeguarding the funds entrusted to us. Our primary focus is the planning, securing and controlling of Omnitrans' financial resources.

Omnitrans takes great pride in the fact that previously issued CAFRs have been awarded a prestigious award by The Government Finance Officers Association (GFOA) in the form of its Certificate of Achievement for Excellence in Financial Reporting. Omnitrans has received the GFOA "Certificate of Achievement for Excellence in Finance Reporting" a total of sixteen (16) times. These prior awards and the one that we are currently seeking this year evidence the significant improvements regarding the strengthening of internal controls and our compliance with stringent GFOA standards for professional financial reporting. Omnitrans' system of internal control is supported by written policies and procedures and is continually reviewed, evaluated and modified to meet current needs.

Local Economy

The regional Gross Domestic Product (GDP) numbers for the Metropolitan Statistical Area (MSA) of San Bernardino County and Riverside County (Inland Empire) suggest that the worst is behind us with unemployment rates falling. The Inland Empire is in the middle when compared with other large MSAs across California. Many industries have recovered some shutdown-related job losses, certain sectors may reverse course as recent surges in COVID-19 cases have triggered renewed business closures. Public Health experts suggest we are not yet in the dreaded second wave, but still in the echo of the first wave because we have been less vigilant with respect to social distancing, wearing face masks, and thoughtful setups at work in response to coronavirus fatigue.

Almost two-thirds of the Inland Empire's employment losses occurred in the five sectors that largely provide services in face-to-face settings: leisure and hospitality, other services, retail trade, health and education and professional and business services. San Bernardino and Riverside counties were generating an average of over 43,000 new jobs prior to the pandemic. Overall, the pandemic has dramatically upended nearly every aspect of life, however the resilience of the Inland Empire and its diverse population indicates the region will recover.

Long-term Financial Planning

Omnitrans continues to plan for the future in its short-term and the long-term planning. The short-term planning rarely looks further ahead than the 12 months in the fiscal year. The goal is to ensure that the Agency has enough cash to pay its bills. In the long-term planning process, the planning horizon is

typically 2 – 5 years. The long-term financial planning focuses on the Agency’s long-term goals and the funding that must be secured prior to project implementation.

Major Initiatives

Each year federal and state governments fund numerous public transit initiatives through an array of programs. Although the need to fund these initiatives has grown, the amount of funding allocated to public transit initiatives has seen very little growth. California’s Senate Bill (SB) 1 - The Road Repair and Accountability Act of 2017, provides the first significant, stable, and on-going increase in state transportation funding in more than two decades. The California Legislature passed SB 1, raising gas taxes and vehicle fees to generate revenue to fix the state's roads.

To raise a projected \$52.4 billion over 10 years, changes to taxes and fees include:

- A 12-cent increase in the gasoline excise tax
- A 20-cent increase in the diesel excise tax
- A 5.75 percent increase in the diesel sales tax
- A new vehicle fee, which will annually charge drivers between \$25 and \$175, depending on the value of the vehicle
- A \$100 annual fee on zero-emission vehicles

The Federal Transit Administration (FTA) sponsors an array of initiatives and programs to support research, coordination, and development of public transportation. Some FTA and California initiatives and programs that are of particular interest to Omnitrans include:

- Moving Ahead for Progress in the 21st Century Act (MAP-21) - MAP-21 consolidates certain transit programs to improve their efficiency and provides significant funding increases specifically for improving the state of good repair of the nation’s transit systems. The law grants FTA authority to strengthen the safety of public transportation systems throughout the United States. It also streamlines the New Start process to expedite project delivery and provides for core capacity project eligibility.
- State of Good Repair (SGR) - State of Good Repair includes sharing ideas on recapitalization and maintenance issues, asset management practices, and innovative financing strategies. It also includes issues related to measuring the condition of transit capital assets, prioritizing local transit re-investment decisions and preventive maintenance practices. Finally, research and the identification of the tools needed to address this problem are vital. The FTA will lead the nation's effort to address the State of Good Repair by collaborating with industry to bring the nation's transit infrastructure into the 21st Century.
- Recently the California Air Resources Board (ARB) adopted the Innovative Clean Transit regulation the ICT regulation, which has been in development since spring 2015 requires large transit agencies to begin purchasing zero-emission buses (ZEBs) as soon as 2023, with the goal of transitioning all transit buses in California to zero-emission technology by 2040. The regulation initially impacts standard transit buses, postponing the ZEB purchase mandate for non-standard buses (i.e. articulated, cutaway, over-the-road coaches) until at least 2026.

Awards and Acknowledgements

Omnitrans was honored to receive the prestigious American Public Transportation Association 2019 Bus and Rail Safety and Security Excellence Gold Award. The award recognizes public transit providers for innovative and proactive safety and security programs. Agencies are evaluated on effectiveness, benefit level, innovation, and transferability, and the Gold Award is given to the organization with the best overall safety or security programs.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Omnitrans for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of a state or local government financial report. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR.

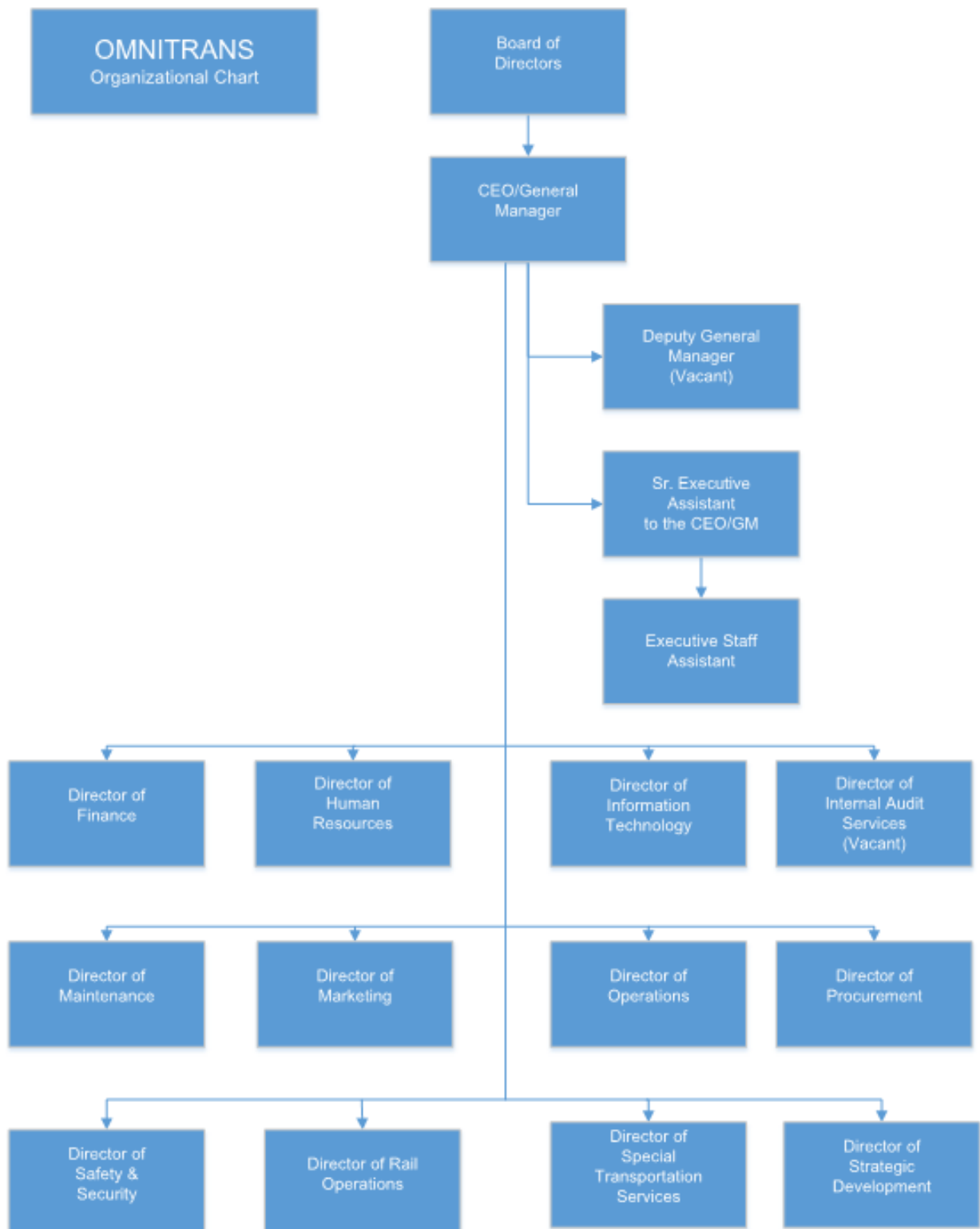
Omnitrans' Procurement Department received the Achievement of Excellence in Procurement (AEP) award for 2020. The AEP is awarded annually by the National Procurement Institute (NPI) to public and non-profit organizations throughout the United States and Canada who demonstrate innovation, professionalism, productivity, leadership and e-procurement excellence.

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the Finance Department staff, with special thanks to Joseph Mercurio, Accounting Manager and Maurice Mansion, Treasury Manager. We wish also to express our appreciation to Erin Rogers, our CEO/General Manager, and Nicole Ramos, Director of Marketing and Communications for their assistance and support of this report. We would also like to express our appreciation to the Board of Directors and members of the Administrative and Finance Committee.

Respectfully submitted,



Donald Walker
Director of Finance, OMNITRANS



OMNITRANS SENIOR LEADERSHIP TEAM

Erin Rogers
CEO/General Manager

(Vacant)
Deputy General Manager

Donald Walker
Director of Finance

Suzanne Pfeiffer
Director of Human Resources

Alex Chen
Director of Information Technology

Connie Raya
Director of Maintenance

Nicole Ramos
Director of Marketing & Communications

Shawn Brophy
Director of Operations

Art Torres
Director of Procurement

Trischelle Baysden
Director of Rail Operations

Jerome Rogers
Director of Safety & Security

Aaron Moore
Director of Special Transportation Services

Jeremiah Bryant
Director of Strategic Development

Omnitrans Board of Directors



CHAIR – David Avila,
City of Yucaipa



VICE CHAIR – John
Dutrey, City of Montclair



Supervisor – Curt
Hagman, County of San
Bernardino



Supervisor – Janice
Rutherford, County of
San Bernardino



Supervisor – Josie
Gonzales, County
of San Bernardino



Supervisor – Dawn
Rowe, County of
San Bernardino



Member – Eunice
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Chino Hills



Member –
Cynthia Moran,
City of Chino Hills



Member –
Frank Navarro,
City of Colton



Member – John
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Loma Linda



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of Ontario



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Rancho Cucamonga



Member – Paul
Foster, City of
Redlands



Member – Deborah
Robertson, City of
Rialto



Member – John
Valdivia, City of San
Bernardino



Member –
Debbie Stone,
City of Upland



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**OMNITRANS
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

GENERAL INFORMATION

PROFILE OF OMNITRANS

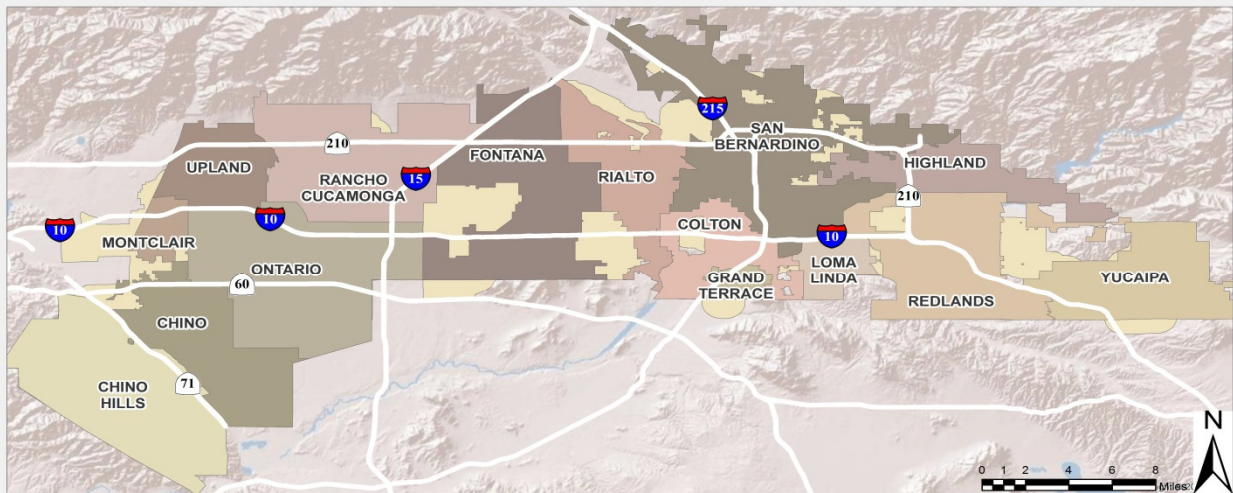
Omnitrans was founded in 1976 under a Joint Powers Agreement to provide transportation service to the San Bernardino Valley. Omnitrans is the major public transportation provider in the San Bernardino Valley, with a service area of approximately 456 square miles, serving fifteen municipalities, and many unincorporated areas of San Bernardino County. Omnitrans also travels beyond the service area to Pomona and Riverside, to provide links to neighboring transit agencies. The service area is bordered by the Los Angeles County line to the west, the San Gabriel and San Bernardino Mountains to the north, Yucaipa in the east and the Riverside County line to the south. The map below shows the Omnitrans service area. Employees work out of two locations: East Valley (San Bernardino) and West Valley (Montclair).

The Board of Directors, made up of elected officials from each of the member jurisdictions, governs the Agency. The member jurisdictions include the following:

City of Chino	City of Highland	City of Redlands
City of Chino Hills	City of Loma Linda	City of Rialto
City of Colton	City of Montclair	City of San Bernardino
City of Fontana	City of Ontario	City of Upland
City of Grand Terrace	City of Rancho Cucamonga	City of Yucaipa
	County of San Bernardino	

Each city has one member and the County of San Bernardino has four members on the Board, who represent their respective County Districts. The Board is responsible for all policy, regulatory, and budgetary decisions of the Agency.

Service Area Map



Four Board committees oversee specific functional areas of the Agency with the provision to create ad-hoc committees as needed. These committees are:

1. Executive Committee
2. Administrative and Finance Committee
3. Plans and Programs Committee
4. Operations and Safety Committee

As of June 2020, Omnitrans had staff of 529 employees to provide its services. The CEO/General Manager is responsible for the day-to-day management of the Agency and acts as the liaison to the Board of Directors and each of the committees. Reporting to the CEO/General Manager are the following departments:

1. Executive Office
2. Finance
3. Human Resources
4. Information Technology
5. Maintenance
6. Marketing & Communications
7. Operations
8. Procurement
9. Rail
10. Safety & Security
11. Special Transportation Services
12. Strategic Development

As cited in its Joint Powers Agreement (JPA), Omnitrans was created as a single umbrella agency to serve the bus transit needs of the San Bernardino Valley. Provisions were made in the JPA to: 1) Establish a uniform fare policy within the service area, 2) To coordinate a region wide bus transit marketing program, and 3) To consolidate bus transit operating and administrative functions in order to achieve increased economies of scale.

To meet the bus transportation service demands efficiently and effectively, Omnitrans uses a multimodal approach to the provisions of service. The Family of Services that Omnitrans currently offers are summarized below:

Local Fixed Route Service

- Omnitrans operated at three different service levels during FY2020. Traditional service levels were operated prior to the COVID-19 pandemic. Service levels were reduced on March 23, 2020 following California's Stay at Home orders. Based on ridership and activity data and long-term college and school closures, Omnitrans implemented a second service reduction on April 13, 2020. This second reduction brought Omnitrans' revenue hours down by approximately 45% compared to pre-COVID levels.
- The service reductions typically doubled headways so that routes that operated at 10-, 15-, 20-, or 30-minute headways operated half as frequently often as they did before. Routes

that operated at 60-minute headways, generally remained at 60-minutes. Service levels by route can be seen in the table below. Omnitrans generally maintained the hours of service and days of service in order to ensure that essential workers had access to vital transit services.

- Prior to the COVID-19 pandemic and in accordance with the Operational Standards for the provision of service, Omnitrans operated 26 traditional local fixed routes and five OmniGo local community circulator routes in addition to sbX and Freeway Express routes described below. Omnitrans suspended service on 5 routes at the April 13, 2020 service reduction. These routes generally served colleges and universities that had closed due to the pandemic.
- Routes typically operate at 15- to 70-minute intervals depending on passenger demand and density of activity along the route.
- All routes operate Monday through Friday with service beginning at approximately 3:30 AM and ending at 11:30 PM. On Saturdays there are 24 routes and four OmniGo circulators are in operation with service beginning at approximately 4:45 AM and ending at 11:00 PM. On Sundays there are 22 routes and four OmniGo circulators in service which begin at approximately 5:00 AM and end at 8:30 PM.
- Coordinated local fixed-route service with Foothill Transit, Riverside Transit Agency, Mountain Transit, Pass Transit and Victor Valley Transit Authority operated under Cooperative and/or Joint Service Agreements between Omnitrans and neighboring transit operators.

sbX Bus Rapid Transit

- The sbX Green line is a Bus Rapid Transit Line that serves the E Street Corridor in the cities of San Bernardino and Loma Linda.
- During FY2020, the sbX Green Line operated on weekdays from 5:00 AM to 11:00 PM. Prior to the COVID pandemic, sbX operated 10-minute peak and 15-minute off-peak service on weekdays and 20-minute service on Saturdays. Omnitrans implemented two service reductions in response to the COVID-19 pandemic which brought weekday peak service to 20-minutes and off-peak to 30-minutes. Additionally, Saturday service was reduced to 40-minute service.
- The sbX Green Line is 15.7 miles long, with 5.4 miles of dedicated bus-only lanes. sbX has 16 named station locations and 23 platforms that offer enhanced amenities including level boarding, NexTrip arrival signs, ticket vending machines and custom shelters and benches.

Freeway Express Service

- Omnitrans operates two freeway express routes designed to allow for fast and efficient movement of passengers throughout our service area providing key connections to neighboring transit agencies.
- Route 215 is a cross-county service provided by Omnitrans that connects Downtown San Bernardino at the San Bernardino Transit Center to Downtown Riverside at the Riverside Transit Agency's Downtown Terminal. This route travels Interstate 215 and typically operates on 20/30-minute frequencies weekday and a 30-minute frequency on weekends. These headways were expanded in response to the COVID-19 pandemic to 30/60-minute on weekdays and 60-minute on weekends.

- Route 290 is a cross San Bernardino Valley Freeway Express Route that travels along Interstate 10 connecting key destinations including Downtown San Bernardino at the San Bernardino Transit Center, Arrowhead Regional Medical Center, Ontario Mills and Montclair at the Montclair Transit Center, where connections to Foothill Transit’s service to eastern Los Angeles County are available. The route was temporarily suspended during the height of the COVID-19 pandemic.

OmniGo Circulator Service

- OmniGo is a small bus fixed route community circulator service that operates in the cities of Chino Hills, Grand Terrace, and Yucaipa.
- OmniGo connects points of interest within each city and provides connectivity to Omnitrans fixed route bus service.
- All OmniGo services are contracted out by Omnitrans and operated by a private contractor.
- OmniGo fares are the same as those for other Omnitrans fixed route bus services.

FY20 Fixed-Route Service Frequency by Route

Route Count	Route	Route Name	Service Days/Frequency					
			Weekday		Saturday		Sunday	
			Normal	COVID	Normal	COVID	Normal	COVID
1	1	ARMC - San Bernardino - Del Rosa	15	30	30	60	30	60
2	2	Cal State - E Street - Loma Linda	60	60	60	60	30	60
3	3	Baseline - Highland - San Bernardino CCW	15	30	20	40	20	40
4	4	Baseline - Highland - San Bernardino CW	15	30	20	40	20	40
5	5	South Waterman - Del Rosa - Cal State	30	45	60	45	60	45
6	7	N. San Bernardino - Sierra Way - San Bernardino†	30/60	0	60	0	60	0
7	8	San Bernardino - Mentone – Crafton Hills	30/60	60	60	60	60	60
8	10	Fontana - Baseline - San Bernardino	30/60	60	60	60	60	60
9	12	Fontana - Muscoy - Cal State	60	60	60	60	60	60
10	14	Fontana - Foothill - San Bernardino	15	30	15	30	15	30
11	15	Fontana - San Bndo/Highland - Redlands	30	60	60	60	60	60
12	19	Fontana – Colton-Redlands--Yucaipa	30	60	60	60	60	60
13	20	Fontana Metrolink - Via Hemlock - Kaiser	60	0	60	0	60	0
14	22	North Rialto - Riverside Ave - ARMC	30	60	60	60	60	60
15	29	Bloomington - Valley Blvd - Kaiser	60	60	60	60	*	*
16/17	308/309	OmniGo: Yucaipa†	30/60	60	30	30	60	30
18	310	OmniGo: Yucaipa	30/60	60	*	*	*	*
19	325	OmniGo: Grand Terrace	70	70	65	65	65	65
20	215	San Bernardino – Riverside	20/30	30/60	30/60	60	30/60	60
21	290	San Bernardino-ARMC-Ontario Mills-Montclair Transit Center†	30/60/120	0	*	*	*	*
22	61	Fontana-Ontario Mills-Pomona	15	30	15	30	15	30
23	66	Fontana-Foothill Blvd.-Montclair	15/30	30	30	60	30	60

24	67	Chaffey-Baseline-Fontana†	60	0	*	*	*	*
25	80	Ontario International Airport-Vineyard-Chaffey College†	60	0	60	0	60	0
26	81	Chino-Haven-Chaffey College	30/60	60	60	60	*	*
27	82	Rancho Cucamonga-Fontana-Sierra Lakes	60	60	65	65	65	65
28	83	Upland-Euclid-Chino	60	60	60	60	60	60
29	84	Upland-Mountain Ave-Chino	60	60	60	60	60	60
30	85	Chino-Montclair-Chaffey College	30	60	60	60	60	60
31	86	S. Ontario-Campus-San Antonio Hospital	60	60	*	*	*	*
32	88	Chino Hills-Ramona Ave-Montclair	60	60	60	60	60	60
33	365	OmniGo: Chino Hills	60	60	60	60	60	60
34	sbX	Green Line	10/15	20/30	20	40	*	*

* No Saturday or Sunday Service (as applicable)

† Route suspended during COVID-19 pandemic

Metrolink Regional Commuter Rail Feeder Service

- Metrolink service is provided between Omnitrans' service area, Los Angeles, Riverside, Orange, Ventura and San Diego Counties by Southern California Regional Rail Authority.
- Omnitrans provides feeder bus service to ten Metrolink Stations located in San Bernardino (2), Rialto, Fontana, Rancho Cucamonga, Upland, Montclair, East Ontario, Riverside and Pomona.
- Metrolink ticket/pass is good for a free ride going to or leaving from any Metrolink Station that an Omnitrans bus serves. Tickets must be valid for the date on which you're riding the bus.

OmniAccess

- In accordance with the Americans with Disabilities Act (ADA), Omnitrans provides wheelchair lift-equipped vans for origin-to-destination transportation services.
- Reservations for service must be made one day in advance of your travel needs, with the option to call up to seven days in advance.
- OmniAccess operates during the same days and hours as fixed route buses within a ¾ mile range of routes.
- Who can ride Access? – Those persons with an Omnitrans (or other transit agency) ADA certification ID card. Persons with an Omnitrans Disability card. Personal Care Attendants providing personal care to an ADA certified rider. Companions (Adult accompanying person with a disability) and/or Children of a qualified Adult ADA certified rider. (Maximum of two children 46" tall and under may ride free. Children under age 6 and/or under 60 pounds must travel in a rider supplied child restraint device).

FINANCIAL SECTION



Independent Auditor's Report

Board of Directors
Omnitrans
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of Omnitrans as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Omnitrans' basic 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Omnitrans as of June 30, 2020, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, and the schedule of contributions as listed in the table of contents 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 the 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 assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Omnitrans' basic financial statements. The CEO's message, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior-Year Comparative Information

We have previously audited Omnitrans' 2019 financial statements upon which we expressed an unmodified opinion in our report dated January 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2021, on our consideration of Omnitrans' internal control over financial reporting 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 and the results of that testing, and not to provide an opinion on the effectiveness of Omnitrans' 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 Omnitrans' internal control over financial reporting and compliance.



Rancho Cucamonga, California

January 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Omnitrans (the Agency), we offer the readers of the Agency's financial statements this narrative overview and analysis of the financial activities for the Agency for the fiscal year ended June 30, 2020.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the transmittal letter and financial statements, which are included in this report.

Financial Highlights

- At the end of fiscal year 2020, the Statement of Net Position presents total net position of \$208.7 million. This is an increase of \$1.3 million or 0.6% above the close of the previous fiscal year-end.
- Total assets at fiscal year-end 2020 increased from \$282.2 million to \$302.6 million an increase of \$20.4 million or 7.2%. The increase in Cash & Equivalents and Investments accounts for most of the increase.
- Total liabilities at fiscal year-end 2020 increased \$19.9 million or 23.7% above the previous fiscal year. Increases in Accounts Payable, Unearned Revenue and Net Pension Liability accounts for most of the increase.
- Total revenues for fiscal year-end June 30, 2020 were \$144.8 million compared to \$108.8 million for the previous fiscal year. This is a \$36.0 million or 33.1% increase in revenue compared to the previous year.
- Total expenses for fiscal year-end 2020 excluding depreciation were \$124.2 million compared to \$105.7 million for the previous fiscal year. This is an increase of \$18.6 million or 17.6%. The expenses include costs associated with the Redlands Passenger Rail Project (Arrow).
- Depreciation for fiscal year-end 2020 was \$19.3 million compared to \$18.8 million for the previous fiscal year. This is an increase of \$491.1 thousand or 2.6%.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements consist of two components: 1) Agency financial statements, and 2) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The Agency is a governmental entity that follows enterprise fund accounting and presents its financial statement on the accrual basis of accounting. The enterprise fund concept is similar to how private business enterprises are financed and operated.

The statement of net position include information on all the Agency's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. Changes in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of revenues, expenses and change in net position present information regarding how the Agency net position changed during the fiscal years ended June 30, 2020. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, and amounts are measurable, regardless of the timing of related cash flows.

The financial statements can be found on pages 12-15 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in Agency financial statements. The notes to the financial statements can be found on pages 16-39 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Agency's pension liabilities to it employees.

Required supplementary information can be found on page 41 of this report.

Financial Statements Analysis

The following tables summarize revenues, expenses and changes in net position comparing fiscal year 2020 with fiscal year 2019. For additional information regarding the Agency's financial activities for fiscal year ended June 30, 2020, readers are encouraged to read this section in conjunction with the accompanying Notes to the Basic Financial Statements.

OMNITRANS' Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Passenger fares	\$ 11,227,212	13,168,821	(1,941,609)	(14.7)
Advertising revenues	685,699	774,189	(88,490)	(11.4)
Other transportation revenues	<u>69,755</u>	<u>55,673</u>	<u>14,082</u>	25.3
Total revenues	<u>11,982,666</u>	<u>13,998,683</u>	<u>(2,016,017)</u>	(14.4)
Expenses:				
Depreciation and amortization	19,288,208	18,797,139	491,069	2.6
Other operating expenses	<u>91,888,124</u>	<u>95,682,829</u>	<u>(3,794,705)</u>	(4.0)

Total expenses	<u>111,176,332</u>	<u>114,479,968</u>	<u>(3,303,636)</u>	(2.9)
Nonoperating Revenue/(Expenses)				
Fed. & local operating grants	75,325,966	84,857,421	(9,531,455)	(11.2)
Interest income	846,858	315,357	531,501	168.5
Pass-through to other agencies (Note 10)	(30,661,723)	(854,709)	(29,807,014)	3,487.4
Pass-through to CTSA community partners	(988,351)	(394,708)	(593,643)	150.4
Loss on disposal of capital assets	(709,129)	(1,910,005)	1,200,876	(62.9)
CNG fuel tax credit	3,758,891	-	3,758,891	
Donation to other agency	-	(6,838,655)	6,838,655	
Other nonoperating revenues (expenses)	<u>19,738</u>	<u>21,422</u>	<u>(1,684)</u>	(7.9)
Total nonoperating revenues	<u>47,592,250</u>	<u>75,196,123</u>	<u>(27,603,873)</u>	(36.7)
Income before capital contribution	<u>(51,601,416)</u>	<u>(25,285,162)</u>	<u>(26,316,254)</u>	104.1
Capital contributions				
Capital assistance	52,908,735	8,760,536	44,148,199	503.9
Capital contribution (Note 5)	<u>-</u>	<u>846,500</u>	<u>(846,500)</u>	
Total capital contributions	<u>52,908,735</u>	<u>9,607,036</u>	<u>43,301,699</u>	450.7
Special Items:				
Transfer of operations (Note 11)	<u>-</u>	<u>973,084</u>	<u>(973,084)</u>	
Change in net position	1,307,319	(14,705,042)	16,012,361	(108.9)
Net position, beginning of year	<u>207,343,494</u>	<u>222,048,536</u>	<u>(14,705,042)</u>	(6.6)
Net position, end of year	<u>\$ 208,650,813</u>	<u>207,343,494</u>	<u>1,307,319</u>	0.6

Revenues and Expenses

Revenues

Omnitrans total revenues for fiscal year ending June 30, 2020 were \$144.8 million compared to \$108.8 million for the previous fiscal year-end. This is a \$36.4 million or 33.1% increase compared to last fiscal year-end. Capital Assistance increased \$43.3 million over the previous year attributed to ongoing construction of the Redlands Passenger Rail Project managed by San Bernardino County Transportation Authority (SBCTA).

Omnitrans receives federal, state, and local funding which are utilized for both operating and capital expenditures. Financing the construction, operation and maintenance of public transportation systems involves many different types of funding sources, including federal and non-federal grants, and other revenue sources. The source of federal and local operating grants and capital assistance Omnitrans received include the following:

- Measure I - the ½ cent sales tax collected throughout San Bernardino County for transportation improvements.
- Local Transportation Fund (LTF) - Transportation Development Act (TDA) earmark ¼ percent of the state sales tax for transit.
- Urbanized Area Formula Program (5307) - transit capital and operating assistance in urbanized areas and for transportation-related planning.
- Congestion Mitigation and Air Quality Improvement (CMAQ) - established to support surface transportation projects and other related efforts that contribute air quality improvements and provide congestion relief.
- Job Access and Reverse Commute (JARC) – established to improve access to transportation services to employment and employment related activities for welfare recipients and eligible low-income individuals and to transport residents of urbanized areas and non-urbanized areas to suburban employment opportunities.
- New Freedom - a formula grant program aims to provide additional tools to overcome existing barriers facing Americans with disabilities seeking integration into the work force available to people with disabilities beyond the requirements of the Americans with Disabilities Act of 1990 (ADA).
- State Transit Assistance Fund (STAF) - derived from sales tax on gasoline and diesel fuel, this funding is an allocation to local transit agencies to fund a portion of the operations and capital costs associated with local mass transportation programs.
- Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) - created by Proposition 1B, is funding available to transit operators over a ten-year period. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or rolling stock (buses and rail cars) procurement, rehabilitation, or replacement.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress in March 2020. The CARES Act provides for payments to state, local, and tribal governments navigating the impact of the COVID-19 outbreak.

Passenger fares at fiscal year end June 30, 2020 was \$11.2 million compared to \$13.2 million for the previous fiscal year. This is a reduction of \$1.9 million or 14.7%. The reduction in passenger fares can be attributed to COVID-19 and the decline in ridership experienced throughout the public transit industry.

Interest income for the Agency consists of quarterly return on investment with the Local Agency Investment Fund (LAIF). The LAIF program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurer's Office at no additional cost. Total interest income for fiscal year ended June 30, 2020 was \$846.9 thousand compared to \$315.4 thousand for the previous fiscal year-end.

Revenues from the Compressed Natural Gas (CNG) fuel tax credit for fiscal year ended June 30, 2020 was \$3.8 million. The Alternative Fuel Tax Credit ended December 31, 2017 but was retroactively extended through December 31, 2020.

<u>OMNITRANS' Revenues</u>				
	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Increase (Decrease)	Percent Increase (Decrease)
Passenger fares	\$ 11,227,212	13,168,821	(1,941,609)	(14.7)
Advertising revenue	685,699	774,189	(88,490)	(11.4)
Other Transportation Revenue	69,755	55,673	14,082	25.3
Federal and local operating grants	75,325,966	84,857,421	(9,531,455)	(11.2)
Capital assistance	52,908,735	9,607,036	43,301,699	450.7
Interest Income	846,858	315,357	531,501	168.5
CNG fuel tax credit	3,758,891	0	3,758,891	
Other non-operating revenues/(expenses)	19,738	21,422	(1,684)	(7.9)
Total Revenues	<u>\$ 144,842,854</u>	<u>108,799,919</u>	<u>36,042,935</u>	33.1

Expenses

Total expenses for fiscal year-end June 30, 2020 were \$143.5 million compared to \$124.5 million for the previous fiscal year end. This is a \$19.1 million or 15.3% increase in total expenses. Included in total expenses is depreciation (\$19.3 million). Also included in expenses is a \$30.7 million pass-through to other agencies. The majority of the pass-through was associated with ongoing construction of the Redlands Passenger Rail Project managed by SBCTA.

Wages, salaries, and benefits increased from \$55.2 million for fiscal year-end 2019 to \$56.5 million for fiscal year-end 2020. This is an increase of \$1.3 million or 2.4%. Also included in the \$56.5 million expenses is \$5.5 million for the change in the net pension liability.

Purchase transportation services for fiscal year-end June 30, 2020 was \$10.2 million compared to \$10.8 million for the previous year. This is a \$591.8 thousand decrease or 5.5%.

General and administrative expenses decreased \$1.7 million or 10.6% compared to the previous fiscal year. Total general and administrative expenses for fiscal year-end June 30, 2020 were \$14.3 million compared to \$16.0 million for the previous fiscal year.

Capital purchases for fiscal year-end June 30, 2020 decreased \$309.9 thousand compared to the previous year-end due to fewer purchases with capital funds that met the threshold for capitalization.

Omnitrans, as a direct grantee of FTA funding, is responsible for complying with specific FTA requirements. San Bernardino County Transportation Authority (SBCTA) conducts the solicitation, evaluation, and selection process for FTA funds. However, Omnitrans does participate in the evaluation process as well, and is solely responsible for project management

oversight for sub-recipients. The pass-through to other agencies represents federal and local reimbursements to sub-recipients for cost incurred on approved projects. Pass-through payments to other agencies increased \$29.8 million or 3,487.4% compared to the previous fiscal year-end. The significant increase is construction costs associated with the Redlands Passenger Rail Project managed by SBCTA. The project is expected to be completed in FY 2022.

Loss on disposal of capital assets decreased \$1.2 million or 62.9% compared to the previous fiscal year. The previous fiscal year included disposal of the liquefied compressed natural gas (LCNG) fueling infrastructure.

There were no Donation to Other Agency for fiscal year ending June 30, 2020 compared to \$6.8 million for the previous fiscal year. The previous fiscal year costs included \$6.5 million in cost associated with the 10th through Highland Pavement Rehabilitation Project and \$345.7 thousand in cost associated with the 5th Street bus stop.

OMNITRANS' Expenses

		Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Wages, salaries, and benefits	\$	56,513,919	55,238,763	1,275,156	2.4
Purchased transportation services		10,173,138	10,764,903	(591,765)	(5.5)
General and administrative expenses		14,331,182	16,033,442	(1,702,260)	(10.6)
Materials and supplies		6,222,214	7,585,991	(1,363,777)	(18.0)
Capital purchases		663,133	973,017	(309,884)	(31.8)
Professional and technical services		2,864,494	3,783,575	(919,081)	(24.3)
Advertising and printing		775,404	893,427	(118,023)	(13.2)
Pass-through to other agencies		30,661,723	854,709	29,807,014	3,487.4
Pass-through to CTSA community partners		988,351	394,708	593,643	150.4
Loss on disposal of capital assets		709,129	1,910,005	(1,200,876)	(62.9)
Depreciation		19,288,208	18,797,139	491,069	2.6
Miscellaneous		344,640	409,711	(65,071)	(15.9)
Donation to Other Agency		-	6,838,655	(6,838,655)	(100.0)
Total Expenses	\$	<u>143,535,535</u>	<u>124,478,045</u>	<u>19,057,490</u>	15.3

Net Position

The Agency's total net position as of June 30, 2020 increased \$1.3 million or 0.6% compared to June 30, 2019. Total assets increased \$20.4 million or 7.2%. This is due primarily to increases in cash, investments, and receivables of \$7.7 million, \$7.0 million, and \$7.7 million, respectively.

Total liabilities increased \$19.9 million or 23.7% compared to the previous fiscal year-end. Current liabilities increased \$12.1 million or 38.2% and long-term liabilities increased \$7.8 million or 14.9%.

OMNITRANS' Statement of Net Position

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	\$ 68,782,302	45,680,787	23,101,515	50.6
Capital Assets	<u>233,793,602</u>	<u>236,473,270</u>	<u>(2,679,668)</u>	(1.1)
Total Assets	<u>302,575,904</u>	<u>282,154,057</u>	<u>20,421,847</u>	7.2
Deferred outflow of resources:				
Deferred amount on pensions	<u>12,029,810</u>	<u>11,667,224</u>	<u>362,586</u>	3.1
Total Deferred outflow of resources	<u>12,029,810</u>	<u>11,667,224</u>	<u>362,586</u>	3.1
Liabilities:				
Current Liabilities	43,693,417	31,617,139	12,076,278	38.2
Long-term Liabilities	<u>60,260,661</u>	<u>52,432,423</u>	<u>7,828,238</u>	14.9
Total Liabilities	<u>103,954,078</u>	<u>84,049,562</u>	<u>19,904,516</u>	23.7
Deferred inflow of resources:				
Deferred amount on pension (Note 8)	<u>2,000,823</u>	<u>2,428,225</u>	<u>(427,402)</u>	(17.6)
Total Deferred inflow of resources	<u>2,000,823</u>	<u>2,428,225</u>	<u>(427,402)</u>	(17.6)
Net Position:				
Net investment in capital assets	202,666,266	200,270,564	2,395,702	1.2
Restricted - Capital projects	4,864,626	4,812,857	51,769	1.1
Restricted - CTSA activities	5,418,603	11,016,293	(5,597,690)	(50.8)
Unrestricted	<u>(4,298,682)</u>	<u>(8,756,220)</u>	<u>4,457,538</u>	(50.9)
Total Net Position	\$ <u>208,650,813</u>	<u>207,343,494</u>	<u>1,307,319</u>	0.6

Capital Assets and Debt Administration

Capital Assets

At June 30, 2020, the Agency had a total of \$202.7 million invested in capital assets. This total represents an overall increase of \$2.4 million or 1.2% above the prior fiscal year-end total of \$200.3 million. Increases in building and improvements, operations, and construction in progress were offset by accumulated depreciation.

OMNITRANS' Capital Assets (net of accumulated depreciation)

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Increase (Decrease)	Percent Increase (Decrease)
Buildings and improvements	\$ 146,427,664	145,228,968	1,198,696	0.8
Operations equipment	137,391,768	133,782,814	3,608,954	2.7
Furniture and office equipment	50,264,190	49,822,725	441,465	0.9
Construction in progress	25,682,383	20,661,288	5,021,095	24.3
Land	5,505,423	5,505,423	0	0.0
Accumulated depreciation	<u>(162,605,162)</u>	<u>(154,730,654)</u>	<u>(7,874,508)</u>	5.1
Total capital assets	\$ <u>202,666,266</u>	<u>200,270,564</u>	<u>2,395,702</u>	1.2

Additional information regarding the Agency's capital assets can be found in Note 5 in the Notes to the Basic Financial Statements.

Next Year's Budget

Omnitrans prepares an operating and capital budget annually that is approved by the Board of Directors prior to the beginning of its fiscal year. The operating budget for fiscal year ending June 30, 2020 increased proportionately due to ongoing contractual obligations. The challenge going forward is containing cost, and providing safe, dependable, and quality public transit service at sustainable levels during the COVID-19 pandemic.

The capital budget consists of a multi-year program that includes the fixed route, access service, and support vehicle replacement. Funding for these major projects have been identified, approved by the Board of Directors, and committed to those projects.

Additionally, the Federal Transit Administration has established minimum Federal requirements for transit asset management that will apply to all recipients and sub-recipients who own, operate, or manage public transportation capital assets. Going forward Transit providers are required to set performance targets for state of good repair (SGR) based on established measures and report their targets, as well as information related to the condition of their capital assets.

Contacting the Agency's Financial Management

This financial report is designed to provide our customers, stakeholders, and creditors with an overview of the Agency's financial operations and condition. If you have a question about this report or need additional information, you may contact the Agency's Finance Director at 1700 W. 5th Street, San Bernardino, California 92411-2401.

Statement of Net Position
June 30, 2020 (with Comparative Totals for June 30, 2019)

	2020	2019
Assets:		
Current Assets:		
Cash and Equivalents	\$ 24,506,172	\$ 16,760,571
Investments	8,626,121	1,610,222
Receivables:		
Accounts, Net of Allowances	3,048,272	245,023
Intergovernmental	28,672,888	23,926,679
Inventory	3,096,427	2,699,471
Prepaid Items	832,422	438,821
Total Current Assets	<u>68,782,302</u>	<u>45,680,787</u>
Noncurrent Assets:		
Restricted Cash and Equivalents - West Valley Connector Project	150,783	149,384
Restricted Investments - West Valley Connector Project	25,557,950	25,037,029
Restricted Investments - CTSA	5,418,603	11,016,293
Capital Assets, Not Depreciated (Note 5)	31,187,806	26,166,711
Capital Assets, Depreciated, Net (Note 5)	<u>171,478,460</u>	<u>174,103,853</u>
Total Noncurrent Assets	<u>233,793,602</u>	<u>236,473,270</u>
Total Assets	<u>302,575,904</u>	<u>282,154,057</u>
Deferred Outflow of Resources:		
Deferred Outflows Related to Pensions (Note 8)	<u>12,029,810</u>	<u>11,667,224</u>
Liabilities:		
Current Liabilities:		
Accounts Payable	11,427,597	6,312,951
Accrued Salaries and Benefits	1,419,091	3,213,612
Unearned Revenue	23,963,311	16,012,180
Compensated Absences Payable -		
Current Portion (Note 4)	1,934,727	1,986,267
Claims Payable - Current Portion (Note 7)	<u>4,948,691</u>	<u>4,092,129</u>
Total Current Liabilities	<u>43,693,417</u>	<u>31,617,139</u>
Noncurrent Liabilities:		
Unearned Revenue (Note 9)	20,693,324	20,224,172
Compensated Absences Payable (Note 4)	1,616,606	2,057,700
Claims Payable (Note 7)	6,553,220	5,060,225
Net Pension Liability (Note 8)	<u>31,397,511</u>	<u>25,090,326</u>
Total Noncurrent Liabilities	<u>60,260,661</u>	<u>52,432,423</u>
Total Liabilities	<u>103,954,078</u>	<u>84,049,562</u>
Deferred Inflow of Resources:		
Deferred Inflows Related to Pensions (Note 8)	<u>2,000,823</u>	<u>2,428,225</u>
Net Position:		
Net Investment in Capital Assets	202,666,266	200,270,564
Restricted for:		
Capital Projects	4,864,626	4,812,857
CTSA Activities	5,418,603	11,016,293
Unrestricted	<u>(4,298,682)</u>	<u>(8,756,220)</u>
Total Net Position	<u>\$ 208,650,813</u>	<u>\$ 207,343,494</u>

See accompanying notes to basic financial statements.

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020 (with Comparative Totals for June 30, 2019)

	2020	2019
Operating Revenues:		
Passenger fares	\$ 11,227,212	\$ 13,168,821
Advertising revenue	685,699	774,189
Other transportation revenue	69,755	55,673
Total Operating Revenues	<u>11,982,666</u>	<u>13,998,683</u>
Operating Expenses:		
Salaries and benefits	56,513,919	55,238,763
Purchased transportation services	10,173,138	10,764,903
General and administrative	14,331,182	16,033,442
Materials and supplies	6,222,214	7,585,991
Capital purchases	663,133	973,017
Professional and technical services	2,864,494	3,783,575
Advertising and printing	775,404	893,427
Depreciation	19,288,208	18,797,139
Miscellaneous	344,640	409,711
Total Operating Expenses	<u>111,176,332</u>	<u>114,479,968</u>
Operating Income/(Loss)	<u>(99,193,666)</u>	<u>(100,481,285)</u>
Nonoperating Revenues/(Expenses):		
Federal and local operating grants	75,325,966	84,857,421
Interest income	846,858	315,357
Pass-through to sub-recipients (Note 10)	(30,661,723)	(854,709)
Pass-through to CTSA community partners	(988,351)	(394,708)
Loss on disposal of capital assets	(709,129)	(1,910,005)
CNG fuel credit	3,758,891	-
Donation to other agency (Note 5)	-	(6,838,655)
Other nonoperating revenues	19,738	21,422
Total Nonoperating Revenues/(Expenses)	<u>47,592,250</u>	<u>75,196,123</u>
Income/(Loss) Before Capital Contributions and Special Items	<u>(51,601,416)</u>	<u>(25,285,162)</u>
Capital Contributions:		
Capital assistance	52,908,735	8,760,536
Capital contribution (Note 5)	-	846,500
Total Capital Contributions	<u>52,908,735</u>	<u>9,607,036</u>
Special Items:		
Transfer of operations (Note 11)	-	973,084
Change in Net Position	1,307,319	(14,705,042)
Net Position, Beginning of Year	<u>207,343,494</u>	<u>222,048,536</u>
Net Position, End of Year	<u>\$ 208,650,813</u>	<u>\$ 207,343,494</u>

See accompanying notes to basic financial statements.

Statement of Cash Flows

Year Ended June 30, 2020 (with Comparative Totals for June 30, 2019)

	2020	2019
Cash Flows from Operating Activities:		
Cash received from customers	\$ 11,982,666	\$ 13,998,683
Nonoperating miscellaneous receipts	3,778,629	21,422
Cash payments to suppliers for goods and services	(31,050,116)	(40,909,081)
Cash payments to employees for services	(50,934,320)	(53,084,919)
Net cash used for operating activities	(66,223,141)	(79,973,895)
Cash Flows from Noncapital Financing Activities:		
Federal, state, and local operating grants	72,522,717	86,417,090
Pass-through payments to other agencies	(31,650,074)	(1,249,417)
Special item, transfer of operations	-	973,084
Net cash provided by non-capital financing activities	40,872,643	86,140,757
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(22,393,039)	(8,603,372)
Capital grants received	56,582,809	6,468,495
Net cash provided by (used) capital and related financing activities	34,189,770	(2,134,877)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	5,076,769	7,263,861
Purchase of investments	(7,015,899)	(36,053,322)
Interest received	846,858	315,357
Net cash used by investing activities	(1,092,272)	(28,474,104)
Net increase (decrease) in cash and cash equivalents	7,747,000	(24,442,119)
Cash and Cash Equivalents, Beginning of Year	16,909,955	41,352,074
Cash and Cash Equivalents, End of Year	\$ 24,656,955	\$ 16,909,955
Reconciliation of Cash and Cash Equivalents to Amounts Reported on Statement of Net Position:		
Cash and equivalents	\$ 24,506,172	\$ 16,760,571
Restricted cash and equivalents	150,783	149,384
Cash and Cash Equivalents, End of Year	\$ 24,656,955	\$ 16,909,955

(Continued)

See accompanying notes to basic financial statements.

Statement of Cash Flows (Continued)
Year Ended June 30, 2020 (with Comparative Totals for June 30, 2019)

	2020	2019
Reconciliation of Operating Loss to Net		
Cash used for Operating Activities:		
Operating loss	\$ (99,193,666)	\$ (100,481,285)
Pension expense	5,517,197	1,306,648
Adjustments to net cash used by operating activities:		
Depreciation	19,288,208	18,797,139
Nonoperating miscellaneous income	3,778,629	21,422
(Increase) in inventory	(396,956)	(208,497)
(Increase) decrease in prepaid items	(393,601)	(86,644)
(Decrease) in accounts payable	5,114,646	(169,874)
Increase in salaries and benefits payable	(1,794,521)	178,082
Increase (decrease) in compensated absences payable	(492,634)	94,753
Increase in claims payable	2,349,557	574,361
Net Cash used for Operating Activities	<u>\$ (66,223,141)</u>	<u>\$ (79,973,895)</u>
Noncash Investing, Capital, and Financing Activities:		
Capital contributions	<u>\$ -</u>	<u>\$ 846,500</u>
Donation to other agency	<u>\$ -</u>	<u>\$ 6,838,655</u>
Special item, transfer of operations, capital assets	<u>\$ -</u>	<u>\$ 232,168</u>

See accompanying notes to basic financial statements.

Note 1 – Summary of Significant Accounting Policies**Nature of Business**

Omnitrans was organized on March 8, 1976, by a joint powers agreement between the County of San Bernardino, California and the following cities: Chino; Colton; Fontana; Loma Linda; Montclair; Ontario; Redlands; Rialto; San Bernardino; and Upland under Section 6506 of the California Government Code for the purpose of providing transit services under a single agency. The following cities were added thereafter: Rancho Cucamonga and Grand Terrace in 1979; Highland in 1988; Yucaipa in 1990; and Chino Hills in 1992.

Omnitrans provides a variety of transit services to the public of San Bernardino County. These services include bus operations, purchased transportation services with independent contractors and demand response transportation services. Omnitrans also functions as a “pass-through” administrative agency for various federal, state and local grants.

Basis of Accounting

Omnitrans is accounted for as an enterprise fund (proprietary fund type). Proprietary fund financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Classification of Revenues and Expenses

Enterprise 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 an enterprise fund’s principal operations. The principal operating revenues of Omnitrans consist of bus transit services. Non-operating revenues consist of federal, state and local operating grants, and investment income. Operating expenses for enterprise funds include the cost of sales, administrative expenses and depreciation on capital assets. Expenses not meeting this definition are reported as non-operating expenses. Non-operating expenses primarily consist of payments to pass-through agencies and interest expense.

Capital contributions consist of grants that are legally restricted for capital expenses by federal, state or local law that established those charges.

When both restricted and unrestricted resources are available for use, it is Omnitrans’ policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid deposits with financial institutions that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

Restricted Cash and Cash Equivalents

Cash and equivalents that are maintained in accordance with grant agreements or funding agency directives that are designated for disbursement in the acquisition or construction of capital projects are reported as restricted in the accompanying Statement of Net Position. Restricted cash and equivalents are reported as noncurrent assets because they are not available for use in current operations.

Investments and Fair Value Measurement

Investments are reported in the accompanying Statement of Net Position at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income reported for that fiscal year. Interest income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Omnitrans categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Inventories

Inventories consist of operations vehicles' parts and fuel in storage held for consumption. The parts and fuel in storage are stated at the lower of cost or market and will be consumed in the course of Omnitrans' operations. The value of parts and fuel held in storage as of June 30, 2020 was \$3,096,427.

Capital Assets

Capital assets are valued at cost or estimated historical cost if actual cost is not available. Donated assets are valued at their acquisition value. Omnitrans capitalizes all assets with a historical cost of at least \$2,000 and a useful life of at least one year. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation of capital assets used by Omnitrans is charged as an expense against its operations. Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

<u>Category</u>	<u>Number of Years</u>
Buildings and improvements	5 to 30
Operations equipment	3 to 12
Furniture and office equipment	3 to 20

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Omnitrans reports deferred outflows of resources and deferred inflows of resources related to pensions.

Unearned Revenue-Project Advances

Project advances represent proceeds from the disposition of Federal Transit Administration funded capital assets that have been authorized for the future acquisition or construction of capital projects. The revenue associated with the use of the advances will be recognized when all eligibility requirements have been met.

Compensated Absences

It is Omnitrans' policy to permit employees to accumulate earned but unused vacation and sick leave benefits up to certain limits. Management, non-exempt, and coach operator employees begin to accrue vested sick leave hours after six months of service. Upon voluntary resignation, retirement or death and after six months of service, management and non-exempt employees or their estate are paid for any unused sick leave up to a maximum of 50 percent of the available sick leave hours not to exceed 1,200 hours (e.g. 50 percent of 1,200 hours would be paid at 600 hours). Represented employees begin to accrue vested sick leave hours after reaching a certain amount of service time based upon their respective work classification. Teamsters accrue sick leave after 1,040 hours of actual hours worked and Amalgamated Transit Union (ATU) members are after their first year of continuous full-time employment, based upon their respective work classification. Upon voluntary resignation, retirement, or death, and after a certain amount of years of service (ATU members after 8 years of service and Teamsters after 10 years of service), represented employees or their estate are paid for any unused sick leave up to a maximum of 50 percent of available sick leave hours not to exceed 1,200 hours (e.g. 50 percent of 1,200 hours would be paid at 600 hours).

Full-time non-represented employees begin to accrue vacation hours after 6 months of service. Employee vacation credits may be accrued and accumulated up to a maximum of two (2) years total accumulated vacation credits. Eligible employees with an annual accrual of three (3) or more weeks of vacation per year, after taking 80 hours vacation, shall be permitted to request two (2) weeks pay in lieu of time off. Represented employees will accrue vacation benefits in accordance with the provisions of their respective Memorandum of Understanding (MOU).

Accumulated unpaid vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned. Total compensated absences payable was \$3,551,333 at June 30, 2020.

Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Omnitrans' prior year financial statements, from which this selected financial data was derived.

Federal, State and Local Grants

Federal, state and local governments have made various grants available to Omnitrans for operating assistance and acquisition of capital assets. Grants for operating assistance, the acquisition of equipment or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of Omnitrans complying with appropriate grant requirements. Operating assistance grants are included in non-operating revenues in the year in which the grant is applicable and the related expenses are incurred. Revenues earned under capital grants are recorded as capital contributions.

Pass-Through Activities

Revenues associated with grants, where Omnitrans serves as the administering agent, are recorded as either non-operating revenues or capital contributions based on the approved use of the grant. The related expense is recorded as "pass-through to other agencies" in the Statement of Revenues, Expenses, and Changes in Net Position as the expenses do not support the operations of Omnitrans nor provide an asset.

Pension

For the purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Omnitrans' California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net investment in capital assets consists of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets.

Restricted net position is the value of assets restricted to use by third parties in excess of the related and recognized liabilities. It is expected that future liabilities will be recognized to match the restricted assets on hand.

As of June 30, 2020, Omnitrans reported \$4,864,626 of restricted net position for the local share of sale proceeds from land sold that is to be restricted to a certain project by the FTA. Refer to Note #9 for additional information.

As of June 30, 2020, Omnitrans reported \$5,418,603 of restricted net position for funds restricted as to the use for activities related to Omnitrans' status as the Consolidated Transportation Services Agency (CTSA) in San Bernardino County, California.

Unrestricted net position is the net amount of the assets, deferred outflow of resources, deferred inflow of resources, and liabilities that are not included in the determination of net investment in capital assets or restricted net position listed above.

Use of Estimates/Reclassifications

The preparation of basic 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 and disclosures at the date of the financial statements and results for the reporting period. Actual results could differ from those estimates. Pension amounts adjustments to net cash used by operating activities in the Statement of Cash Flows of the prior year have been reclassified to conform to the current year presentation.

New Accounting Pronouncements

Effective in Current Year

Governmental Accounting Standard No. 95

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Omnitrans adopted this Statement during the current fiscal year. As a result of adopting this statement, all Statements that were originally scheduled to be effective during the year ending June 30, 2020 have been deferred to fiscal years after the year ending June 30, 2020. The revised effective dates of future accounting pronouncements are described below.

Effective in Future Years

Governmental Accounting Standard No. 84

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for periods beginning after December 15, 2019. Omnitrans has not determined its effect of this Statement.

Governmental Accounting Standard No. 87

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for periods ending June 30, 2022 and subsequent. Omnitrans has not determined its effect of this Statement.

Governmental Accounting Standard No. 89

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2020. Omnitrans has not determined its effect of this Statement.

Governmental Accounting Standard No. 90

GASB Statement No. 90, *Majority Equity Interests-(an amendment of GASB Statements No. 14 and No. 61)*. The primary objectives of this Statement are to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Omnitrans has not determined its effect on the financial statements.

Governmental Accounting Standard No. 91

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Omnitrans has not determined its effect on the financial statements.

Governmental Accounting Standard No. 92

GASB Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for periods ending June 30, 2022 and subsequent. Omnitrans has not determined its effect on the financial statements.

Governmental Accounting Standard No. 93

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The primary objectives of this Statement are to address the accounting and financial reporting implications that result from the replacement of an IBOR. This Statement is effective for periods ending June 30, 2022 and subsequent. Omnitrans has not determined its effect on the financial statements.

Governmental Accounting Standard No. 94

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment*. The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). This Statement is effective for periods beginning after June 15, 2022. The District has not determined its effect on the financial statements.

Governmental Accounting Standard No. 96

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. The primary objectives of this Statement are to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. Omnitrans has not determined the effect of this Statement.

Governmental Accounting Standard No. 97

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021 for requirements that are related to the accounting and financial reporting for Section 457 plans. The remaining sections are effective immediately. Omnitrans has not determined the effect of this Statement.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2020 consist of the following:

Cash on hand	\$ 9,200
Deposits with financial institutions	24,496,972
Investments with LAIF	8,626,121
Restricted deposits with financial institutions	150,783
Restricted investments with LAIF	<u>30,976,553</u>
	<u><u>\$ 64,259,629</u></u>

Fair Value Measurements

Omnitrans categorizes the fair value of its investments based on the framework and hierarchy established by Government Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurements and Application*. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Unobservable inputs that are based on the best available information under the circumstances.

The following is a description of the valuation methods and assumptions used by Omnitrans to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at June 30, 2020. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Omnitrans’ management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable data requires judgment by Omnitrans' management. Omnitrans' management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs of its fair value measurement and does not necessarily correspond to Omnitrans' management's perceived risk of that investment.

Deposits and withdrawals in the California Local Agency Investment Fund (LAIF) are made on the basis of \$1 and not fair value. Accordingly, Omnitrans' proportionate share of investments in LAIF at June 30, 2020 of \$39,602,674 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. Of the \$39,602,674 investments in LAIF, \$25,557,950 is restricted for the West Valley Connector Project and \$5,418,603 is restricted for Consolidated Transportation Services Agency activities.

Investments Authorized by the California Government Code or Omnitrans' Investment Policy

The table below identifies the investment types that are authorized by the California Government Code (or Omnitrans' investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or Omnitrans' investment policy, where more restrictive) that address interest rate risk, and concentration of credit risk.

Authorized Investment Type	Authorized By Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
Federal Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	1 year	20%	None
Medium - Term Notes	Yes	5 years	30%	None
Local Agency Investment Fund	Yes	N/A	None	\$65 million

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The investment policy of Omnitrans provides safety and liquidity guidelines for managing interest rate risk.

Omnitrans' investment in LAIF has remaining investment maturity of 12 months or less and a fair value of \$39,602,674.

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 nationally recognized statistical rating organization. Omnitrans' investment in LAIF is unrated and is not subject to a minimum rating by the California Government Code, or Omnitrans' investment policy.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, Omnitrans 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 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 the value of its investment or collateral securities that are in the possession of another party. The California Government Code and Omnitrans' investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local government 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 fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Omnitrans' deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2020, Omnitrans had deposits held at one bank that were \$24,291,522 in excess of federal depository insurance corporation (FDIC) limits covered by collateralization described above.

Investment in LAIF

Omnitrans is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429.1 through 16429.4 under the oversight of the Treasurer of the State of California. LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The fair value of Omnitrans' investment in this pool is reported in the accompanying financial statements at amounts based upon Omnitrans' 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 of \$39,602,674 is available for withdrawal and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 3 – Federal State and Local Grants

Omnitrans receives operating and capital assistance from various federal, state and local sources.

Federal Assistance

Under the provision of the Federal Transit Administration (FTA), funds are available to Omnitrans for preventive maintenance, security, and various capital costs.

Transportation Development Act Assistance

Pursuant to provisions of the 1971 Transportation Development Act (TDA), as amended, the California State Legislature enacted the Local Transportation Fund (LTF) and the State Transit Assistance Fund (STAF) to provide operating and capital assistance for public transportation. These funds are received from the County of San Bernardino based on annual claims filed by Omnitrans and approved by the San Bernardino County Transportation Authority (SBCTA), the regional transportation planning entity.

To be eligible for TDA funds, Omnitrans must maintain a ratio of passenger fares to operating costs of not less than 20.00 percent for general public transit service and 10.00 percent for specialized service for the elderly and handicapped. After considering certain cost exemption provisions of the TDA and supplementing fare revenues with local funds in accordance with section 99268.19 of the TDA, Omnitrans ratios for the fiscal year ended June 30, 2020 were 26.04 percent for general public transit service, and 24.03 percent for specialized service for the elderly and handicapped. Omnitrans' ratios for the fiscal year ended June 30, 2020 were calculated as follows:

	General Transit	Special Transit	Total
Operating expenses	\$ 91,820,179	\$ 15,055,557	\$ 106,875,736
Less: Depreciation	(17,973,989)	(1,314,219)	(19,288,208)
Adjusted operating expenses	<u>\$ 73,846,190</u>	<u>\$ 13,741,338</u>	<u>\$ 87,587,528</u>
Fare revenue	\$ 10,713,776	\$ 2,141,135	\$ 12,854,911
Local Funds (Measure I) used by the operator to supplement fare box revenues to satisfy the fare ratio as permitted by section 99268.19	<u>8,516,663</u>	<u>1,161,363</u>	<u>9,678,026</u>
Adjusted fare revenue	<u>\$ 19,230,439</u>	<u>\$ 3,302,498</u>	<u>\$ 22,532,937</u>
Fare ratio	<u>26.04%</u>	<u>24.03%</u>	<u>25.73%</u>
Total fare ratio pursuant to P.U.C. Sections 99405(c)	20.00%	10.00%	20.00%

In accordance with 6633.2 of the TDA, if fare revenues are insufficient to meet the applicable ratio of fare revenues to operating cost, an operator may satisfy this requirement by supplementing its fare revenues with local funds pursuant to section 99268.19. Local funds are revenues derived from taxes imposed by the operator or by a county transportation commission. Omnitrans applies its Measure I Operating assistance grants to supplement its revenues. In accordance with 6633.5 of the TDA, for an operator that provides both services to elderly and disabled persons, and services to the general public, either its services to elderly and disabled persons shall meet the 10 percent ratio specified in 6633.5 of the TDA, or its services combined shall meet the fare ratio specified in section 99405(c).

In accordance with 6634 of the TDA, an operator may not receive TDA funds in an amount that exceeds its actual operating costs. For purposes of the farebox revenue calculation above, operating costs are expenses exclusive of the cost of depreciation, vehicle lease cost, and expenses for capital below Omnitrans' capitalization threshold. For the fiscal year ended June 30, 2020, Omnitrans recognized operating revenue and capital assistances for TDA funds in the amounts of \$43,883,223 and \$1,207,068, respectively.

Measure I

County voters approved Measure I, supporting the half-cent sales tax in the incorporated and unincorporated areas of the County for the 20-year period between April 1, 1990 and March 31, 2010. On November 4, 2004, the voter of the County approved San Bernardino County Transportation Authority Ordinance 04-01, extending the half cent sales tax for 30 years to March 31, 2040.

Omnitrans receives Measure I funds for paratransit operating costs. Measure I funds are derived from a locally imposed 0.5 percent retail sales and use tax on all taxable sales within the County of San Bernardino. The allocation and administration of Measure I is performed by SBCTA.

Measure I CTSA

Omnitrans is the designated Consolidated Transportation Services Agency (CTSA) in the County of San Bernardino, California (County). As the CTSA, Omnitrans receives 2% of the Measure I Senior/Disabled funds collected in the Valley portion of the County.

Proposition 1B

The Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) Fund is a part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of \$19.9 billion was deposited into the PTMISEA fund, \$3.6 billion of which was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation or replacement. During the fiscal year ended June 30, 2020, Proposition 1B cash receipts and cash disbursements were as follows:

Unspent Proposition 1B funds as of June 30, 2019	\$ 11,920,421
Proposition 1B expenses incurred during the fiscal year ended June 30, 2020	(2,897,102)
Interest revenue earned on unspent Proposition 1B funds during the fiscal year ended June 30, 2020	104,895
Change in fair market value of investments held during the year ended June 30, 2020	<u>45</u>
	<u><u>\$ 9,128,259</u></u>

The amount of unspent Proposition 1B funds noted above is included in unearned revenue on the Statement of Net Position as of June 30, 2020.

CARES Act

The CARES Act provided the U.S. Department of Transportation \$36.1 billion in overall funding for various programs to provide relief from the COVID-19 pandemic, \$22.7 billion of which was allocated to the Federal Transit Administration. Omnitrans applied for and was awarded \$53,266,820 in CARES Act funds to support operating cost for the period of January 20, 2020 through June 30, 2023. The FTA will generally consider all expenses normally eligible under the Section 5307 and 5311 programs that are incurred on or after January 20, 2020 to be in response to economic or other conditions caused by COVID-19 and thus eligible under the CARES Act. For the fiscal year ended June 30, 2020, Omnitrans incurred eligible expenditures as a result of economic or other conditions caused by COVID-19 and recognized \$6,704,144 of CARES Act revenue.

State of Good Repair

Senate Bill (SB) 1, the Road Repair and Accountability Act of 2017, was signed into law on April 28, 2017. SB1 includes a program that will provide additional revenues for transit infrastructure repair and service improvements. Funds are available for eligible transit maintenance rehabilitation and capital projects.

Operating Assistance

Operating assistance is summarized as follows for the year ended June 30:

Federal Assistance	\$ 10,619,183
LTF - TDA	40,121,961
STAF - TDA	3,761,262
CARES Act-Federal	6,704,144
Measure I	9,678,026
Measure I Demand Response	195,618
Measure I Rail	353,274
Measure I CTSA	957,377
Low Carbon Fuel Standard (Operating)	2,385,924
Low Carbon Transit Operating Program	300,733
Other	248,464
	<u>\$ 75,325,966</u>

Capital Contributions

Capital contributions for the year ended June 30 were as follows:

Federal Assistance	\$ 47,633,563
LTF - TDA	205,646
STAF - TDA	1,001,422
Prop 1B	2,897,102
State of Good Repair	680,774
Low Carbon Fuel Standard (Operating)	398,507
Other	91,721
	<u>\$ 52,908,735</u>

Note 4 – Long-Term Liabilities

During the year ended June 30, 2020, in addition to Net Pension Liability discussed in Note 8, Omnitrans had the following changes in long-term liabilities:

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year	Amount Due Beyond One Year
Compensated absences	\$ 4,043,967	\$ 1,659,910	\$ (2,152,544)	\$ 3,551,333	\$ 1,934,727	\$ 1,616,606
Claims payable	9,152,354	6,592,673	(4,243,116)	11,501,911	4,948,691	6,553,220
Total Long-Term Liabilities	<u>\$ 13,196,321</u>	<u>\$ 8,252,583</u>	<u>\$ (6,395,660)</u>	<u>\$ 15,053,244</u>	<u>\$ 6,883,418</u>	<u>\$ 8,169,826</u>

Note 5 – Capital Assets

	Balance at June 30, 2019	Additions	Retirements	Balance at June 30, 2020
Capital Assets, Not Depreciated:				
Land	\$ 5,505,423	\$ -	\$ -	\$ 5,505,423
Construction in progress	20,661,288	21,793,920	(16,772,825)	25,682,383
Total assets, not depreciated	<u>26,166,711</u>	<u>21,793,920</u>	<u>(16,772,825)</u>	<u>31,187,806</u>
Capital Assets, Depreciated:				
Buildings and improvements	145,228,968	1,198,696	-	146,427,664
Operations equipment	133,782,814	16,503,317	(12,894,363)	137,391,768
Furniture and office equipment	49,822,725	441,465	-	50,264,190
Total capital assets, depreciated	<u>328,834,507</u>	<u>18,143,478</u>	<u>(12,894,363)</u>	<u>334,083,622</u>
Less Accumulated Depreciated for:				
Buildings and improvements	(45,992,803)	(5,994,706)	-	(51,987,509)
Operations equipment	(69,374,804)	(11,226,349)	11,413,700	(69,187,453)
Furniture and office equipment	(39,363,047)	(2,067,153)	-	(41,430,200)
Total accumulated depreciation	<u>(154,730,654)</u>	<u>(19,288,208)</u>	<u>11,413,700</u>	<u>(162,605,162)</u>
Total capital assets, depreciable, net	<u>174,103,853</u>	<u>(1,144,730)</u>	<u>(1,480,663)</u>	<u>171,478,460</u>
Capital assets, net	<u>\$ 200,270,564</u>	<u>\$ 20,649,190</u>	<u>\$ (18,253,488)</u>	<u>\$ 202,666,266</u>

Note 6 – Operating Leases

Omnitrans leases facilities and tires under noncancelable operating leases. Total costs for such leases were \$679,735 during the year ended June 30, 2020. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Lease Payments
2021	\$ 593,884
2022	612,521
2023	75,334
2024	<u>17,285</u>
Total	<u>\$ 1,299,024</u>

Note 7 – Risk Management

Omnitrans is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; and natural disasters for which they carry commercial insurance. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been Incurred But Not Reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors and discounted at an assumed two percent interest rate. The outstanding claims at June 30, 2020, were estimated to be \$11,501,911 and were based on an IBNR study performed in fiscal year 2019-2020. Changes in the fund claims liability amount for the last two fiscal years are as follows:

Year Ending June 30,	Beginning of Year Liability	Provisions of Claims	Claim Payments	End of Year Liability
2019	\$ 8,577,993	\$ 5,223,757	\$ (4,649,396)	\$ 9,152,354
2020	\$ 9,152,354	\$ 6,592,673	\$ (4,243,116)	\$ 11,501,911

Omnitrans is a member of the Association of California Public Transit Operators Joint Powers Insurance Authority (Authority). The Authority is a risk-pooling self-insurance authority, created under provisions of California law in 1987. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

At June 30, 2020, Omnitrans' participation in the self-insurance programs of the Authority is as follows:

- Liability: Including General, Automobile, Public Officials Errors & Omissions, and Employment Practices. Omnitrans is self-insured up to \$10,000,000 per occurrence and has purchased re-insurance and excess insurance coverage.
- Vehicle Physical Damage Program: Including Collision and Comprehensive. Omnitrans is self-insured up to \$100,000 per each occurrence less deductible and has purchased reinsurance and excess insurance coverage.

Separate financial statements of the Authority can be obtained at 1415 L Street, Suite 200, Sacramento, California 95814.

Omnitrans has also purchased additional insurance coverage outlined below:

- Workers Compensation Liability: Omnitrans is self-insured for workers' compensations claims up to \$1,000,000 with a limit of liability of \$5,000,000 and excess coverage up to \$95,000,000.
- Property Liability: Omnitrans is self-insured for property damage up to \$100,000,000 per occurrence. Omnitrans has also purchased earthquake and flood coverage for damage, for which it is self-insured up to \$20,000,000 per occurrence for earthquakes and \$20,000,000 limit per occurrence for floods.
- Cyber Liability: Omnitrans has self-insured for Cyber Liability up to \$50,000 per occurrence and \$2,000,000 in aggregate.
- Crime Liability: Omnitrans is self-insured for employee dishonesty and theft with a limit of liability up to \$1,000,000.

- **Pollution Liability:** Omnitrans is self-insured for pollution with a limit of liability of \$5,000,000 per pollution condition and \$10,000,000 in aggregate.

Employment Related Practices Liability: Omnitrans is self-insured for employment related practices liability claims up to \$100,000 with a limit of liability of \$1,000,000 each claim and \$1,000,000 aggregate.

For the past three fiscal years, none of the above programs of protection has had settlements or judgments that exceeded pooled or insured coverage.

Note 8 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

All qualified employees are eligible to participate in the Omnitrans' Miscellaneous Employee Pension Plan, an agent multiple-employer public employee defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the plan are established, and may be amended, by State statute and Omnitrans resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2020 are summarized as follows:

	Miscellaneous	
	<u>Prior to</u>	<u>On or after</u>
Hire Date	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Normal benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Earliest retirement age	50 - 55	52 - 67
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	7.25%

Employees Covered

At June 30, 2020, the following employees were covered by the benefit terms for the Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	444
Inactive employees entitled to but not yet receiving benefits	469
Active employees	662
Total	<u>1,575</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Omnitrans is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. Required employer contribution rates during the year ended June 30, 2020 for classic and PEPRAs members was 14.68 percent and 7.78 percent, respectively.

For the year ended June 30, 2020, Omnitrans contributed \$5,288,892 to the plan.

A. Net Pension Liability

Omnitrans' net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age & Service
Mortality	(1)
Post Retirement Benefit Increase	(2)

(1) The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the probabilities of mortality on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% Scale MP 2016 published by the Society of Actuaries. Further details of the Experience Study can be found on the CalPERS website.

(2) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

B. Changes in the Net Pension Liability

The changes in the Net Pension Liability measured as of June 30, 2019 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019	\$ 188,273,091	\$ 163,182,765	\$ 25,090,326
Changes in the year:			
Service Cost	\$ 6,192,874		\$ 6,192,874
Interest on the total pension liability	13,727,338		13,727,338
Differences between expected and actual experience	4,435,739		4,435,739
Contribution - employer		\$ 4,797,140	(4,797,140)
Contribution - employee		2,594,545	(2,594,545)
Net investment income		10,773,154	(10,773,154)
Benefit payments, including refunds of employee contributions	(7,629,045)	(7,629,045)	
Administrative Expense		(116,451)	116,451
Other Miscellaneous Income/(Expense)		378	(378)
Net changes	16,726,906	10,419,721	6,307,185
Balance at June 30, 2020	\$ 204,999,997	\$ 173,602,486	\$ 31,397,511

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of Omnitrans for the Plan, calculated using the discount rate for the Plan, as well as what Omnitrans' net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 59,339,489
Current Discount Rate	7.15%
Net Pension Liability	\$ 31,397,511
1% Increase	8.15%
Net Pension Liability	\$ 8,233,886

Pension Plan Fiduciary Net Position

Detailed information about Omnitrans' pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2020, Omnitrans recognized pension expense of \$10,806,089. At June 30, 2020, Omnitrans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,288,892	
Changes of assumptions	2,321,642	\$ (796,222)
Differences between expected and actual experience	4,419,276	(426,688)
Differences between projected and actual earnings on pension plan investments	-	(777,913)
Total	<u>\$ 12,029,810</u>	<u>\$ (2,000,823)</u>

The amount of \$5,288,892 is reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	Amount
2021	\$ 3,707,953
2022	(100,411)
2023	851,188
2024	281,365
Total	<u>\$ 4,740,095</u>

Note 9 – Commitments and Contingencies**Litigation**

Omnitrans is subject to lawsuits and claims which arise out of the normal course of business. In the opinion of management, based upon the opinion of legal counsel, the disposition of such actions of which it is aware will not have a material effect on the financial position, results of operations or liquidity of Omnitrans.

Contingencies

Omnitrans has received federal and state funds for specific purposes that are subject to review and audit by grantor agencies. Although, such audits could generate expenditure disallowances under the terms of the grants, in the opinion of management, any additional required reimbursement will not have a material effect on the financial position, results of operations or liquidity of Omnitrans.

Commitments

Commitments consist primarily of additions to operations equipment and building improvements. Significant commitments are as follows:

Project	Amount Authorized	Cumulative Expenses June 30, 2020	Unexpended Commitments
Facilities Future Expansion and Remodel	\$ 3,563,047	\$ 2,590,881	\$ 972,166
Computer Software and Hardware	4,091,018	3,630,439	460,579
Holt Bus Rapid Transit	10,568,239	7,943,428	2,624,811
Vehicle & Shop Equipment	12,668,071	11,517,635	1,150,436
Total major components of construction in progress	<u>\$ 30,890,375</u>	<u>\$ 25,682,383</u>	<u>\$ 5,207,992</u>

On November 1, 2017, Omnitrans Board of Directors approved a cooperative agreement between Omnitrans and San Bernardino County Transportation Authority (SBCTA) for environmental clearance, design, right-of-way, construction, and project closeout phases for the West Valley Connector Project (Project). Omnitrans will contribute a total not to exceed \$32,785,969 to the Project. SBCTA will lead project environmental clearance, design, right-of-way acquisition, construction, and project closeout work, with input and consultation from Omnitrans. SBCTA will be responsible to maintain the Project and retain title to the project until the project is completed and transferred to Omnitrans. The anticipated project completion date is December 2022.

To fund its commitment for the Project, Omnitrans received proceeds of \$25,084,743 from the sale of real property acquired with local and federal funds during the year ending June 30, 2018. The proceeds from the sale have been reported as restricted cash and investments in accordance with the agreement with the FTA and can only be used for the Project. The balance of the restricted cash and equivalents and investments for the Project as of June 30, 2020 was \$150,783 and \$25,557,950, respectively. The sale was authorized by the FTA and the FTA authorized the subsequent use of the federal share of the sale proceeds for use towards Omnitrans' commitment to the Project. The federal share of \$20,693,324 from the sale proceeds is reported as unearned revenue on the Statement of Net Position. Omnitrans will reduce the liability and recognize revenue as the proceeds are applied to one or more FTA approved capital grants for the Project.

COVID-19 Pandemic

During 2020, the world-wide coronavirus pandemic impacted national and global economies. Omnitrans is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to Omnitrans is not known.

Note 10 – Pass-Through Grants

Pass-through activity of federal awards to sub-recipients for which Omnitrans provides administrative oversight and determines sub-recipient eligibility for the year ended June 30, 2020 is summarized as follows:

City of Rialto	\$ 844,573
OPARC	74,162
Pomona Valley Community Services	14,517
SBCTA	<u>29,728,471</u>
	<u>\$ 30,661,723</u>

REQUIRED SUPPLEMENTARY INFORMATION

Omnitrans
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 6,192,874	\$ 5,937,322	\$ 5,619,063	\$ 4,952,455	\$ 4,752,183	\$ 5,032,912
Interest on the total pension liability	13,727,338	12,594,016	11,757,906	11,122,864	10,405,272	9,875,147
Changes of assumptions	-	(1,592,446)	10,060,448	-	(2,654,537)	-
Difference between expected and actual experience	4,435,739	2,130,851	(1,848,982)	(813,650)	(3,304,350)	-
Benefit payments, including refunds of employee contributions	(7,629,045)	(6,859,350)	(5,901,950)	(5,239,568)	(4,887,764)	(4,033,818)
Net change in total pension liability	16,726,906	12,210,393	19,686,485	10,022,101	4,310,804	10,874,241
Total pension liability - beginning	188,273,091	176,062,698	156,376,213	146,354,112	142,043,308	131,169,067
Total pension liability - ending (a)	<u>\$ 204,999,997</u>	<u>\$ 188,273,091</u>	<u>\$ 176,062,698</u>	<u>\$ 156,376,213</u>	<u>\$ 146,354,112</u>	<u>\$ 142,043,308</u>
Plan fiduciary net position						
Contributions - employer	\$ 4,797,140	\$ 4,312,649	\$ 4,049,916	\$ 3,500,671	\$ 3,095,406	\$ 2,857,424
Contributions - employee	2,594,545	2,490,292	2,329,577	2,067,151	2,010,360	1,892,148
Net investment income	10,773,154	12,784,235	15,133,615	734,228	2,966,348	19,522,988
Benefit payments, including refunds of employee contribution	(7,629,045)	(6,859,350)	(5,901,950)	(5,239,568)	(4,887,764)	(4,033,818)
Plan to plan resource movement	-	(378)	-	-	7,386	-
Administrative Expense	(116,451)	(235,515)	(200,392)	(82,121)	(151,602)	-
Other Miscellaneous (Income)/Expense	378	(447,247)	-	-	-	-
Net change in plan fiduciary net position	10,419,721	12,044,686	15,410,766	980,361	3,040,134	20,238,742
Plan fiduciary net position - beginning	163,182,765	151,138,079	135,727,313	134,746,952	131,706,818	111,468,076
Plan fiduciary net position - ending (b)	<u>\$ 173,602,486</u>	<u>\$ 163,182,765</u>	<u>\$ 151,138,079</u>	<u>\$ 135,727,313</u>	<u>\$ 134,746,952</u>	<u>\$ 131,706,818</u>
Plan net pension liability - ending (a)-(b)	<u>\$ 31,397,511</u>	<u>\$ 25,090,326</u>	<u>\$ 24,924,619</u>	<u>\$ 20,648,900</u>	<u>\$ 11,607,160</u>	<u>\$ 10,336,490</u>
Plan fiduciary net position as a percentage of the total pension liability	84.68%	86.67%	85.84%	86.80%	92.07%	92.72%
Covered payroll	\$ 35,625,315	\$ 34,587,684	\$ 32,039,361	\$ 30,655,864	\$ 28,606,926	\$ 29,286,654
Plan net pension liability as percentage of covered payroll	88.13%	72.54%	77.79%	67.36%	40.57%	35.29%
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Notes to Schedule:

(i) - Fiscal year 2015 was the first year of implementation. The schedules are intended to show information for ten years, and the additional years' information will be displayed as it becomes available.

(ii) - The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 and 2016 measurement dates are without reduction of pension plan administrative expense, in accordance with GASB Statement 68.

(iii) - In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent due to a decrease in the long-term expected rate of return.

(iv) - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017.

Omnitrans
Required Supplementary Information
Schedule of Contributions
Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,288,892	\$ 4,795,768	\$ 4,265,223	\$ 4,041,753	\$ 3,481,193	\$ 3,283,410
Contribution in relation to the actuarially determined contributions	5,288,892	4,795,768	4,265,223	4,041,753	3,481,193	3,283,410
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 35,702,027	\$ 35,625,315	\$ 34,587,684	\$ 32,039,361	\$ 30,655,864	\$ 28,606,926
Contribution as a percentage of covered payroll	14.81%	13.46%	12.33%	12.61%	11.36%	11.48%

Notes to Schedule

Valuation date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
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Methods and assumptions used to determine contribution rates:

Contribution actuarial valuation rates are calculated as of June 30, three years prior to the end of the fiscal year in which the contributions are reported.

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 Years as of the valuation date
Asset valuation method	15-year smoothed market
Inflation	2.625%
Salary increases	Varies by entry age and service
Investment rate of return	7.375% net of pension plan investment and administrative expenses; includes inflation
Retirement age	Derived using CalPERS' membership data for all funds
Mortality	Derived using CalPERS' membership data for all funds

Notes to Schedule:

(i) - Fiscal year 2015 was the first year of implementation. The schedules are intended to show information for ten years, and the additional years' information will be displayed as it becomes available.

STATISTICAL SECTION

STATISTICAL SECTION

This section of Omnitrans' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about Omnitrans' overall financial health. This information has not been audited by the independent auditors.

	<u>Page</u>
Financial Trends	45
These schedules contain trend information to help the reader understand how the Omnitrans financial performance and well-being has changed over time.	
Revenue Capacity	49
These schedules contain information to help the reader assess Omnitrans' most significant local revenue source, passenger fares.	
The Economy and Economic Outlook	56
These schedules offer demographic and economic indicator to help the reader understand the environment within Omnitrans' financial activities take place.	
Operating Information	57
These schedules contain service and infrastructure data to help the reader understand how the information in Omnitrans' financial report relates to the services Omnitrans provides and the activities it performs.	

Source: Unless otherwise noted, the information in these schedules derived from the Comprehensive Annual Financial Reports for the relevant years.

OMNITRANS
NET POSITION BY COMPONENT
LAST 10 YEARS

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net investment in capital assets	\$ 119,480,534	136,703,207	206,992,298	245,580,650
Less: Debt offsetting capital assets	<u>(114,308)</u>	<u>(590,371)</u>	<u>(425,391)</u>	<u>(268,269)</u>
Total net investment in capital assets	119,366,226	136,112,836	206,566,907	245,312,381
Restricted	-	-	-	-
Unrestricted net position	<u>14,717,794</u>	<u>8,548,071</u>	<u>8,547,756</u>	<u>9,379,178</u>
Total net position	<u>\$ 134,084,020</u>	<u>144,660,907</u>	<u>215,114,663</u>	<u>254,691,559</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net investment in capital assets	\$ 196,610,392	204,298,178	212,850,236	218,134,323
Less: Debt offsetting capital assets	<u>(129,101)</u>	-	-	-
Total net investment in capital assets	196,481,291	204,298,178	212,850,236	218,134,323
Restricted - Capital projects	-	-	-	3,914,213
Restricted - CTSA activities	-	-	-	-
Unrestricted net position	<u>(5,263,020)</u>	<u>7,896,427</u>	<u>976,796</u>	-
Total net position	<u>\$ 191,218,271</u>	<u>212,194,605</u>	<u>213,827,032</u>	<u>222,048,536</u>
	<u>2019</u>	<u>2020</u>		
Net investment in capital assets	\$ 200,270,564	202,666,266		
Less: Debt offsetting capital assets	-	-		
Total net investment in capital assets	<u>200,270,564</u>	<u>202,666,266</u>		
Restricted - Capital projects	4,812,857	4,864,626		
Restricted - CTSA activities	11,016,293	5,418,603		
Unrestricted net position	<u>(8,756,220)</u>	<u>(4,298,682)</u>		
Total net position	<u>\$ 207,343,494</u>	<u>208,650,813</u>		

Source: Finance Department

OMNITRANS
CHANGES IN NET POSITION
LAST 10 YEARS

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Operating Revenues:				
Passenger fares	\$ 14,538,747	14,536,931	14,317,987	14,368,317
Advertising revenues	909,176	805,904	481,994	485,327
Other transportation revenues	41,802	39,819	39,819	41,978
Total revenues	<u>\$ 15,489,725</u>	<u>15,382,654</u>	<u>14,839,800</u>	<u>14,895,622</u>
Operating Expenses:				
Depreciation and amortization	12,772,455	17,070,294	16,678,098	14,899,383
Other operating expenses	66,529,837	69,206,132	70,539,078	65,839,285
Total expenses:	<u>\$ 79,302,292</u>	<u>86,276,426</u>	<u>87,217,176</u>	<u>80,738,668</u>
Non-operating Revenues/(Expenses):				
Federal & local operating grants	52,675,797	47,875,811	54,087,458	50,785,745
Interest income	74,302	52,727	24,915	44,311
Interest expense	(6,590)	(3,980)	(8,349)	(4,580)
Pass-through to other agencies	(18,754,320)	(620,108)	(2,254,293)	(4,459,471)
Donation to other agency				
Other non-operating revenues (expenses)	(719,668)	(246,487)	1,409,847	118,187
Total non-operating revenues	<u>\$ 33,269,521</u>	<u>47,057,963</u>	<u>53,259,578</u>	<u>46,484,192</u>
Income before capital contribution	<u>(30,543,046)</u>	<u>(23,835,809)</u>	<u>(19,117,798)</u>	<u>(19,358,854)</u>
Capital Contributions				
Capital assistance	\$ 21,016,685	34,412,696	89,571,554	58,935,750
Contributions from other agencies	-	-	-	-
Total capital contributions	<u>\$ 21,016,685</u>	<u>34,412,696</u>	<u>89,571,554</u>	<u>58,935,750</u>
Special Items				
Transfer of operations (Note 11)	-	-	-	-
Change in net position	<u>\$ (9,526,361)</u>	<u>10,576,887</u>	<u>70,453,756</u>	<u>39,576,896</u>
Net position, beginning of year	<u>\$ 143,610,381</u>	<u>134,084,020</u>	<u>144,660,907</u>	<u>215,114,663</u>
Prior Period Adjustment				
Net Position, Beginning Of Year, As Restated				
Net position, end of year	<u>\$ 134,084,020</u>	<u>144,660,907</u>	<u>215,114,663</u>	<u>254,691,559</u>

Notes: Pass-through to other agencies for 2011 include return of \$16M in LTF funds to SBCTA for future allocation.

Source: Finance Department

OMNITRANS
CHANGES IN NET POSITION
LAST 10 YEARS

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating Revenues:				
Passenger fares	\$ 15,015,499	13,809,102	12,956,556	12,677,056
Advertising revenues	532,322	673,669	596,098	598,078
Other transportation revenues	54,440	57,832	62,779	38,680
Total revenues	<u>\$ 15,602,261</u>	<u>14,540,603</u>	<u>13,615,433</u>	<u>13,313,814</u>
Operating Expenses:				
Depreciation and amortization	12,742,411	15,222,998	16,762,307	16,540,761
Other operating expenses	<u>71,365,710</u>	<u>70,670,842</u>	<u>79,318,693</u>	<u>86,902,089</u>
Total expenses:	<u>\$ 84,108,121</u>	<u>85,893,840</u>	<u>96,081,000</u>	<u>103,442,850</u>
Non-operating Revenues/(Expenses):				
Federal & local operating grants	55,090,857	68,179,717	63,623,628	69,716,169
Interest income	43,486	172,124	52,757	167,494
Interest expense	(2,426)	(927)	-	-
Pass-through to other agencies	(1,297,931)	(11,531,009)	(14,232,126)	(1,690,894)
Pass-through to CTSA community partners	-	-	-	-
Donation to other agency	(72,050,046)	-	(27,910)	-
Loss on disposal of capital assets	-	-	-	(650,981)
CNG fuel tax credit	-	-	-	1,434,406
Other non-operating revenues (expenses)	<u>1,032,590</u>	<u>1,107,516</u>	<u>922,850</u>	<u>352,633</u>
Total non-operating revenues	<u>\$ (17,183,470)</u>	<u>57,927,421</u>	<u>50,339,199</u>	<u>69,328,827</u>
Income before capital contribution	<u>(85,689,330)</u>	<u>(13,425,816)</u>	<u>(32,126,368)</u>	<u>(20,800,209)</u>
Capital Contributions				
Capital assistance	\$ 37,167,461	34,402,150	35,816,686	29,021,713
Contributions from other agencies	-	-	-	-
Total capital contributions	<u>\$ 37,167,461</u>	<u>34,402,150</u>	<u>35,816,686</u>	<u>29,021,713</u>
Special Items				
Transfer of operations (Note 11)	-	-	-	-
Change in net position	<u>\$ (48,521,869)</u>	<u>20,976,334</u>	<u>3,690,318</u>	<u>8,221,504</u>
Net position, beginning of year	<u>\$ 254,691,559</u>	<u>191,218,271</u>	<u>212,194,605</u>	<u>213,827,032</u>
Prior Period Adjustment	<u>(14,951,419)</u>	<u>-</u>	<u>(2,057,891)</u>	<u>0</u>
Net Position, Beginning Of Year, As Restated	<u>239,740,140</u>	<u>191,218,271</u>	<u>210,136,714</u>	<u>213,827,032</u>
Net position, end of year	<u>\$ 191,218,271</u>	<u>212,194,605</u>	<u>213,827,032</u>	<u>222,048,536</u>

Source: Finance Department

OMNITRANS
CHANGES IN NET POSITION
LAST 10 YEARS

Operating Revenues:	<u>2019</u>	<u>2020</u>
Passenger fares	\$ 13,168,821	11,227,212
Advertising revenues	774,189	685,699
Other transportation revenues	55,673	69,755
Total revenues	<u>\$ 13,998,683</u>	<u>11,982,666</u>
Operating Expenses:		
Depreciation and amortization	18,797,139	19,288,208
Other operating expenses	95,682,829	91,888,124
Total expenses:	<u>\$ 114,479,968</u>	<u>111,176,332</u>
Non-operating Revenues/(Expenses):		
Federal & local operating grants	84,857,421	75,325,966
Interest income	315,357	846,858
Interest expense	-	-
Pass-through to other agencies	(854,709)	(30,661,723)
Pass-through to CTSA community partners	(394,708)	(988,351)
Donation to other agency	(6,838,655)	-
Loss on disposal of capital assets	(1,910,005)	(709,129)
CNG fuel tax credit	-	3,758,891
Other non-operating revenues (expenses)	21,422	19,738
Total non-operating revenues	<u>75,196,123</u>	<u>47,592,250</u>
Income before capital contribution	<u>\$ (25,285,162)</u>	<u>(51,601,416)</u>
Capital Contributions		
Capital assistance	\$ 8,760,536	52,908,735
Capital contributions	846,500	0
Total capital contributions	<u>\$ 9,607,036</u>	<u>52,908,735</u>
Special Items		
Transfer of operations (Note 11)	973,084	-
Change in net position	<u>\$ (14,705,042)</u>	<u>1,307,319</u>
Net position, beginning of year	<u>\$ 222,048,536</u>	<u>207,343,494</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>
Net Position, Beginning Of Year, As Restated	<u>222,048,536</u>	<u>207,343,494</u>
Net position, end of year	<u><u>\$ 207,343,494</u></u>	<u><u>208,650,813</u></u>

Source: Finance Department

OMNITRANS
REVENUE SOURCE
LAST 10 YEARS

Passenger Fares - Individuals	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
F/R Full Fares - Cash				
F/R Senior/Disable Fare - Cash	\$4,756,220	\$4,564,607	\$4,512,614	\$4,399,894
F/R 1-Day & 7 Day Full Fare - Pass	334,730	360,603	383,045	447,239
F/R 1-Day & 7 Day S/D Fare - Pass	3,540,698	3,478,828	3,386,969	3,534,008
F/R 7-Day Youth Pass	716,572	712,770	770,747	813,797
F/R 31-Day Full Fare - Pass (less: discount)	446,094	340,581	356,291	214,219
F/R 31-Day Youth Fare-Pass	1,354,296	1,125,569	1,083,657	1,419,430
F/R 31-Day Senior Fare - Pass	1,247,839	909,534	1,014,034	524,795
F/R 31-Day Disability Fare - Pass	-	-	-	-
University Passes	542,878	571,416	591,712 **	560,936
VET - Cash	-	736,134	531,763	755,568
VET 31-Day Pass	-	-	-	-
VET 7 Day Pass	-	-	-	-
VET 1 Day Pass	-	-	-	-
Metrolink Transfer	-	-	-	-
Access Base Fare - Cash	51,325	100,098	54,326	43,628
Access Base Fare (3 zones) - Ticket	166,246	144,141	142,900	153,870
Access Additional (1 zone) - Ticket	1,183,363	1,248,892	1,275,349	1,291,015
Access Monthly Subscription Zone - Pass	12,989	17,071	10,927	17,596
Total Passenger Fares - Individuals	<u>13,340</u>	<u>12,905</u>	<u>8,410</u>	<u>725</u>
	<u>\$14,366,590</u>	<u>\$14,323,149</u>	<u>\$14,122,744</u>	<u>\$14,176,720</u>
Special Transit Fares - Group				
F/R 1 - Trip Full Fare - Ticket				
OmniLink (Yucaipa) - Cash	57,705	67,330	42,516	21,644
OmniLink (Chino Hills) - Cash	26,859	20,777	19,396	18,317
OmniLink S/D Fare - Ticket	10,017	8,914	7,629	8,730
OmniLink Full Fare - Ticket	5,535	4,199	1,701	851
OmniLink Youth Fare - Ticket	-	54	-	-
OmniGo - Fares	2,934	2,304	2,340	2,070
Total Special Transit Fares	<u>69,107</u>	<u>110,204</u>	<u>121,661</u>	<u>139,985</u>
Total Fares	<u>\$172,157</u>	<u>\$213,782</u>	<u>\$195,243</u>	<u>\$191,597</u>
	<u><u>\$14,538,747</u></u>	<u><u>\$14,536,931</u></u>	<u><u>\$14,317,987</u></u>	<u><u>\$14,368,317</u></u>

OMNITRANS
REVENUE SOURCE
LAST 10 YEARS

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Passenger Fares - Individuals				
F/R Full Fares - Cash	4,414,989	3,920,383	3,473,311	3,301,892
F/R Senior/Disable Fare - Cash	557,592	577,375	548,603	588,484
F/R 1-Day & 7 Day Full Fare - Pass	3,577,714	3,207,595	2,888,887	2,710,454
F/R 1-Day & 7 Day S/D Fare - Pass	893,643	861,302	849,267	836,285
F/R 7-Day Youth Pass	208,442	137,774	126,818	129,652
F/R 31-Day Full Fare - Pass (less: discount)	1,574,959	1,354,705	1,260,680	1,294,738
F/R 31-Day Youth Fare-Pass	579,142	485,891	506,414	478,183
F/R 31-Day Senior Fare - Pass	-	-	-	-
F/R 31-Day Disability Fare - Pass	622,658	650,869	599,932	571,081
University Passes	753,215	755,318	773,383	998,587
VET - Cash	13,154	23,564	13,665	13,479
VET 31-Day Pass	41,824	61,588	70,819	67,441
VET 7 Day Pass	12,490	16,560	19,362	18,884
VET 1 Day Pass	4,394	6,310	9,714	8,266
Metrolink Transfer	53,169	54,778	122,680	94,809
Access Base Fare - Cash	193,297	172,367	172,695	170,373
Access Base Fare (3 zones) - Ticket	1,452,471	1,466,273	1,448,556	1,330,100
Access Additional (1 zone) - Ticket	14,181	8,509	12,096	10,977
Access Monthly Subscription Zone - Pass	-	-	-	-
Total Passenger Fares - Individuals	<u>\$14,967,334</u>	<u>\$13,761,161</u>	<u>\$12,896,882</u>	<u>\$12,623,685</u>
Special Transit Fares - Group				
F/R 1 - Trip Full Fare - Ticket	43,880	-	-	-
OmniLink (Yucaipa) - Cash	2,821	-	-	-
OmniLink (Chino Hills) - Cash	1,329	-	-	-
OmniLink S/D Fare - Ticket	81	-	-	-
OmniLink Full Fare - Ticket	-	-	-	-
OmniLink Youth Fare - Ticket	54	-	-	-
OmniGo - Fares	-	47,941	59,677	53,371
Total Special Transit Fares	<u>\$48,165</u>	<u>\$47,941</u>	<u>\$59,677</u>	<u>\$53,371</u>
Total Fares	<u><u>\$15,015,499</u></u>	<u><u>\$13,809,102</u></u>	<u><u>\$12,956,559</u></u>	<u><u>\$12,677,056</u></u>

OMNITRANS
REVENUE SOURCE
LAST 10 YEARS

	<u>2019</u>	<u>2020</u>
Passenger Fares - Individuals		
F/R Full Fares - Cash	3,250,699	2,690,880
F/R Senior/Disable Fare - Cash	569,175	478,431
F/R 1-Day & 7-Day Full Fare - Pass	2,585,110	1,776,965
F/R 1-Day & 7-Day S/D Fare - Pass	806,385	714,675
F/R 1-Day & 7-Day Youth Pass	124,634	93,529
F/R 31-Day Full Fare - Pass (less: discount)	2,313,010	2,455,560
F/R 31-Day Youth Fare-Pass	461,947	379,471
F/R 31-Day Senior Fare - Pass	-	-
F/R 31-Day Disability Fare - Pass	522,033	415,099
University Passes	955,091	905,180
VET - Cash	15,475	12,775
VET 31-Day Pass	60,935	48,460
VET 7 Day Pass	17,576	7,486
VET 1 Day Pass	10,158	9,535
Metrolink Transfer	67,577	90,080
Access Base Fare - Cash	171,457	139,051
Access Base Fare (3 zones) - Ticket	1,161,937	979,726
Access Additional (1 zone) - Ticket	8,975	6,985
Access Monthly Subscription Zone - Pass	-	-
Total Passenger Fares - Individuals	<u>\$13,102,174</u>	<u>\$11,203,888</u>
Special Transit Fares - Group		
F/R 1 - Trip Full Fare - Ticket	-	-
OmniLink (Yucaipa) - Cash	-	-
OmniLink (Chino Hills) - Cash	-	-
OmniLink S/D Fare - Ticket	-	-
OmniLink Full Fare - Ticket	-	-
OmniLink Youth Fare - Ticket	-	-
OmniGo - Fares	<u>66,647</u>	<u>23,324</u>
Total Special Transit Fares	<u>\$66,647</u>	<u>\$23,324</u>
Total Fares	<u><u>\$13,168,821</u></u>	<u><u>\$11,227,212</u></u>

* F/R 31-Day Senior and Disable Passes were combined into a single pass.

** Implemented GoSmart Student Pass Program.

*** OmniLink service rebranded as OmniGo.

Source: Finance Department

OMNITRANS**DEMOGRAPHICS AND STATISTICS SAN BERNARDINO COUNTY
LAST 10 YEARS**

	(A)	(B)	(B / A)			
		Personal Income	Per Capita		School	Unemployment
Fiscal Year	Population	(000)	Personal Income	Median Age	Enrollment	Rate
2011	2,053,348	\$ 67,807,711	\$ 33,023	30.9	417,202	13.5%
2012	2,065,000	68,204,885	33,029	31.2	417,000	12.2%
2013	2,080,914	69,179,986	33,245	31.7	412,155	10.4%
2014	2,088,371	72,007,032	34,480	32.4	411,583	8.3%
2015	2,112,619	76,202,167	36,070	31.0	410,696	6.8%
2016	2,156,651	78,139,779	36,232	31.2	408,948	6.3%
2017	2,166,777	80,367,925	37,091	31.0	431,473	5.3%
2018	2,171,603	84,230,000	38,787	32.9	403,137	4.7%
2019	2,180,085	86,386,500	39,625	33.8	395,420	4.3%
2020	2,190,000	86,400,000	39,452	NA	407,268	14.3%

Source: U.S. Department of Labor, Bureau of Labor Statistics; Bureau of Economic Analysis; California Employment Development Department; California Basic Educational Data Systems (CBEDS); San Bernardino County Economic Forecast; California Department of Education.

OMNITRANS

PRINCIPAL EMPLOYERS OF SAN BERNARDINO COUNTY LAST 10 YEARS

Employer	Employees	% of Total Employment	Ranking									
			<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Amazon Fulfillment Centers	10,000 - 20,000	-	1	-	-	-	-	-	-	-	-	-
Arrowhead Regional Medical Center	10,000 - 20,000	-	2	1	-	-	-	-	-	-	-	-
Stater Brothers Markets, San Bernardino	10,000 - 20,000	1.4%	3	2	4	4	4	4	4	6	6	1
County of San Bernardino, San Bernardino	10,000 - 20,000	1.6%	4	3	3	3	3	3	3	1	1	3
Loma Linda University*	5,000 - 10,000	1.8%	5	6	1	1	1	1	1	3	3	6
San Bernardino City Unified School District	5,000 - 10,000	0.8%	6	4	9	9	9	9	9	5	5	-
Ontario International Airport, Ontario	5,000 - 10,000	1.0%	7	5	8	8	8	8	8	7	7	7
Kaiser Permanente	5,000 - 10,000	1.3%	8	7	5	5	5	5	5	9	9	9
Fontana Unified School District	1,000 - 5,000	-	9	8	-	-	-	-	-	-	-	-
San Manuel Band of Mission Indians	1,000 - 5,000	-	10	9	-	-	-	-	-	-	-	-
U.S. Marine Corps Air Ground Combat Center	1,000 - 5,000	1.7%	11	10	2	2	2	2	2	4	4	5

* Includes: Loma Linda University, Loma Linda Medical Center, and VA Loma Linda Healthcare Systems

Source: San Bernardino Area Chamber of Commerce, U.S. Census Bureau, Inland SoCal, Economy.com

OMNITRANS

Riverside San Bernardino Ontario MSA (Riverside and San Bernardino Counties)

Industry Employment & Labor Force
Benchmark

TITLE	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Civilian Labor Force	1,861,900	1,877,900	1,894,200	1,909,100	1,949,200	1,975,900	2,013,500	2,033,200	2,040,000	2,059,300
Civilian Employment	1,610,400	1,649,600	1,697,800	1,750,900	1,816,100	1,850,600	1,906,500	1,937,800	1,952,800	1,765,300
Civilian Unemployment	251,500	228,300	196,400	158,100	133,100	125,400	107,000	95,400	87,200	294,000
Civilian Unemployment Rate	13.5%	12.2%	10.4%	8.3%	6.8%	6.3%	5.3%	4.7%	4.3%	14.3%
Total, All Industries	1,170,300	1,205,800	1,248,000	1,298,700	1,360,500	1,409,500	1,464,700	1,510,500	1,551,500	1,411,600
Total Farm	19,100	20,300	18,700	17,500	18,400	19,000	18,900	16,500	18,500	15,500
Total Nonfarm	1,151,200	1,185,500	1,229,300	1,281,200	1,342,100	1,390,500	1,445,800	1,494,000	1,533,000	1,396,100
Total Private	920,400	959,400	1,001,500	1,049,800	1,107,700	1,146,300	1,192,600	1,233,500	1,265,900	1,149,200
Goods Producing	146,200	152,100	157,500	169,700	182,700	191,900	199,100	202,300	209,300	196,300
Mining, Logging, and Construction	60,400	64,700	70,100	78,500	86,500	93,000	99,500	102,900	107,300	105,000
Mining and Logging	1,000	1,200	1,200	1,300	1,400	900	900	900	1,200	1,100
Construction	59,400	63,500	68,900	77,200	85,100	92,100	98,600	102,000	106,100	103,900
Construction of Buildings	10,700	10,800	11,300	12,500	13,700	14,700	15,000	14,700	16,200	16,500
Heavy & Civil Engineering Construction	8,900	10,400	10,000	10,400	11,700	12,100	12,600	12,000	12,900	12,500
Specialty Trade Contractors	39,800	42,300	47,600	54,300	59,700	65,300	71,000	75,300	77,000	74,900
Building Foundation & Exterior Contractors	10,800	11,700	12,500	14,800	16,800	18,600	22,400	24,500	25,100	19,900
Building Equipment Contractors	13,400	13,800	16,000	18,200	20,000	23,000	24,600	26,000	26,100	28,100
Building Finishing Contractors	9,900	10,500	12,300	14,000	15,400	15,800	15,600	16,400	18,200	16,400
Manufacturing	85,800	87,400	87,400	91,200	96,200	98,900	99,600	99,400	102,000	91,300
Durable Goods	56,400	57,300	57,300	60,100	63,400	64,600	64,600	65,000	64,700	59,300
Fabricated Metal Product Manufacturing	12,200	12,700	13,100	14,200	14,700	14,500	14,200	14,000	15,400	13,400
Nondurable Goods	29,400	30,100	30,100	31,100	32,800	34,300	35,000	34,400	37,300	32,000
Service Providing	1,005,000	1,033,400	1,071,800	1,111,500	1,159,400	1,198,600	1,246,700	1,291,700	1,323,700	1,199,800
Private Service Providing	774,200	807,300	844,000	880,100	925,000	954,400	993,500	1,031,200	1,056,600	952,900
Trade, Transportation & Utilities	272,200	284,500	295,500	309,800	326,900	338,800	359,000	375,900	379,000	363,700
Wholesale Trade	49,100	52,500	56,300	58,900	61,400	62,700	63,500	67,500	65,100	66,900
Merchant Wholesalers, Durable Goods	29,200	30,800	33,000	34,200	35,800	35,500	35,100	37,100	38,300	42,700
Merchant Wholesalers, Nondurable Goods	15,600	17,300	18,500	20,000	20,600	21,800	23,000	24,100	24,000	21,000
Retail Trade	155,600	159,300	162,300	166,500	171,200	174,400	178,700	182,700	178,900	156,400
Motor Vehicle & Parts Dealer	19,600	20,600	21,400	22,300	23,600	24,600	25,700	25,700	25,900	20,700
Automotive Parts, Accessories & Tire Stores	6,500	6,800	6,900	7,200	7,400	7,400	7,500	7,500	7,600	6,800
Building Material & Garden Equipment Stores	12,400	13,000	13,900	14,100	13,700	14,200	14,700	15,500	14,300	15,100
Food & Beverage Stores	30,700	30,700	30,800	32,600	33,600	34,000	33,700	34,100	34,800	35,900
Health & Personal Care Stores	9,300	9,600	9,900	10,200	10,400	10,600	11,300	11,400	11,700	10,800
Clothing & Clothing Accessories Stores	18,600	19,100	19,400	20,000	19,900	19,600	20,400	19,500	19,800	12,000
Clothing Stores	14,900	15,200	15,300	15,600	15,200	14,800	15,400	15,100	15,300	7,700
General Merchandise Stores	32,400	32,800	33,400	33,600	34,600	36,000	35,600	37,500	34,400	35,100
Transportation, Warehousing & Utilities	67,500	72,700	76,900	84,400	94,300	101,700	116,800	125,700	135,000	140,400
Utilities	5,800	5,800	5,700	5,500	5,300	5,300	5,000	5,100	5,000	4,800
Transportation & Warehousing	61,700	66,900	71,200	78,900	89,000	96,400	111,800	120,600	130,000	135,600
Truck Transportation	20,900	21,600	22,300	23,700	25,000	25,600	26,000	26,300	27,800	24,700
General Freight Trucking	15,500	16,100	16,700	17,900	19,600	19,900	20,200	20,800	22,000	20,200
Couriers & Messengers	7,800	7,900	8,100	8,600	9,600	9,500	11,000	13,700	14,800	18,000
Warehousing & Storage	22,200	24,500	26,000	31,400	38,100	44,800	58,200	65,700	67,800	76,800
Information	12,300	11,800	11,600	11,400	11,200	11,600	11,200	11,100	11,300	9,500
Publishing Industries (except Internet)	1,900	1,800	1,900	1,800	1,600	1,500	1,500	1,500	1,600	1,500
Telecommunications	5,700	5,400	5,500	5,600	5,400	5,500	5,500	5,600	5,400	4,300
Financial Activities	39,900	40,600	42,000	43,100	43,900	44,500	44,300	45,000	43,500	42,400
Finance & Insurance	25,300	25,800	26,300	26,800	26,900	26,600	26,000	26,900	24,300	24,100
Credit Intermediation & Related Activities	14,900	15,000	15,000	15,300	15,400	14,700	14,400	14,800	13,300	12,900
Depository Credit Intermediation	9,900	10,000	9,600	9,100	8,700	8,500	8,700	8,700	8,000	8,900
Nondepository Credit Intermediation	4,100	3,900	4,000	4,000	4,100	3,800	3,800	3,800	3,800	2,200
Insurance Carriers & Related	9,000	9,400	9,600	9,800	10,000	10,300	9,800	10,200	9,500	9,200
Insurance Carriers	4,100	4,300	4,500	4,400	4,400	4,200	3,900	4,000	3,200	2,800
Real Estate & Rental & Leasing	14,600	14,800	15,700	16,300	17,000	17,900	18,300	18,100	19,200	18,300
Real Estate	10,100	10,700	11,400	11,900	12,000	12,300	12,700	12,800	13,400	14,200
Professional & Business Services	123,200	128,000	130,900	134,900	144,200	142,400	144,000	152,500	152,200	144,200
Professional, Scientific & Technical Services	34,400	36,900	36,800	38,800	38,200	38,400	38,800	40,300	42,500	38,900
Management of Companies & Enterprises	8,200	8,000	8,400	8,300	8,900	9,300	8,300	8,300	8,000	8,700
Administrative & Support & Waste Services	80,600	83,100	85,700	87,800	97,100	94,700	96,900	103,900	101,700	96,600
Administrative & Support Services	77,600	79,700	81,900	84,000	93,200	91,200	93,100	100,200	97,600	93,000
Employment Services	36,500	37,300	37,600	39,700	47,700	42,700	42,400	47,200	41,800	38,000
Investigation & Security Services	10,800	11,100	11,900	12,600	12,900	14,000	15,000	15,600	16,400	17,200
Services to Buildings & Dwellings	16,200	17,000	17,600	17,800	18,600	19,300	19,500	19,600	21,000	21,400
Educational & Health Services	163,600	172,400	187,200	193,200	202,900	212,400	222,300	229,700	250,400	239,500
Educational Services	14,900	15,200	16,900	16,000	16,500	17,700	17,700	19,100	19,600	16,900
Colleges, Universities & Professional Schools	5,500	5,600	5,500	5,400	5,900	5,700	5,300	6,000	6,200	4,700
Health Care & Social Assistance	148,700	157,200	170,300	177,200	186,400	194,700	204,600	210,600	230,800	222,600
Ambulatory Health Care Services	53,100	57,200	58,700	61,700	64,700	66,900	70,400	71,400	79,400	76,000
Offices of Physicians	16,800	18,800	19,100	20,100	21,100	22,400	22,700	22,800	23,700	23,000
Hospitals	34,100	35,000	35,700	35,700	37,200	38,700	38,800	40,000	41,100	42,300
Nursing & Residential Care Facilities	21,300	22,300	23,000	24,300	24,900	25,600	25,700	26,600	28,000	27,300

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TITLE	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Leisure & Hospitality	123,600	129,200	135,500	144,300	151,600	159,900	166,800	169,800	175,200	117,700
Arts, Entertainment & Recreation	14,300	14,700	15,900	16,800	17,400	18,300	18,700	19,900	19,300	13,500
Accommodation & Food Services	109,300	114,500	119,600	127,500	134,200	141,600	148,100	149,900	155,900	104,200
Accommodation	13,900	14,300	14,500	16,100	16,700	17,400	18,700	18,100	18,600	10,200
Food Services & Drinking Places	95,400	100,200	105,100	111,400	117,500	124,200	129,400	131,800	137,300	94,000
Restaurants	92,000	96,600	101,400	106,900	114,000	120,400	125,400	127,200	132,600	87,800
Full-Service Restaurants	40,200	42,700	44,100	45,800	47,600	49,400	50,400	51,300	50,800	24,700
Limited-Service Eating Places	51,800	53,900	57,300	61,100	66,400	71,000	75,000	75,900	81,800	63,100
Other Services	39,400	40,800	41,300	43,400	44,300	44,800	45,900	47,200	45,000	35,900
Repair & Maintenance	13,100	13,900	14,700	15,600	16,400	17,000	17,200	17,800	17,000	13,200
Personal & Laundry Services	9,700	10,500	10,500	10,900	11,500	12,000	12,600	12,900	13,300	6,900
Government	230,800	226,100	227,800	231,400	234,400	244,200	253,200	260,500	267,100	246,900
Federal Government	21,400	20,500	20,200	20,300	20,300	20,500	20,600	20,700	21,100	22,100
Department of Defense	6,400	5,900	5,800	5,800	5,800	5,700	5,600	5,700	5,800	6,400
Federal Government excluding Department of Defense	15,000	14,600	14,400	14,500	14,500	14,800	15,000	15,000	15,300	15,700
State & Local Government	209,400	205,600	207,600	211,100	214,100	223,700	232,600	239,800	246,000	224,800
State Government	30,100	28,900	28,400	28,800	29,200	30,200	30,900	33,200	33,000	30,900
State Government Education	11,600	11,200	11,400	11,800	12,000	12,800	13,400	15,300	14,700	12,400
State Government Excluding Education	18,500	17,700	17,000	17,000	17,200	17,400	17,500	17,900	18,300	18,500
Local Government	179,300	176,700	179,200	182,300	184,900	193,500	201,700	206,600	213,000	193,900
Local Government Education	103,000	102,400	105,400	107,700	110,000	116,500	122,300	125,200	130,300	114,600
Local Government Excluding Education	76,300	74,300	73,800	74,600	74,900	77,000	79,400	81,400	82,700	79,300
County	35,200	34,200	33,300	33,000	32,500	33,700	34,800	36,000	34,600	35,400
City	16,200	15,400	15,000	15,400	15,200	15,300	15,300	15,300	15,400	14,100
Special Districts plus Indian Tribes	24,900	24,700	25,500	26,200	27,200	28,000	29,300	30,100	32,700	29,800

Source: CA.Gov EDD Labor Market Info

THE ECONOMY AND ECONOMIC OUTLOOK

Omnitrans is located in San Bernardino County, and the county is part of the area known as the Inland Empire (IE) which covers more than 27,000 square miles and has a population of approximately 4 million. Most of the area's population is located in southwestern San Bernardino County and northwestern Riverside County.

The California job market, including the IE was at its all-time best in February 2020 but appears to be years away from returning to the pre-coronavirus levels. The IE economy outlook by economists suggests the pre-coronavirus economic boom will not return for at least two years. Prior to the COVID-19 outbreak the unemployment rate in California was at a record low of 3.9%. The full recovery to pre-coronavirus levels of economic activity is not expected until after 2022 in the state of California. Although a noticeable improvement might begin to appear by the end of 2020, economic forecasters have stated clearly that the road to a return to a pre-coronavirus economy statewide is in the 2023 timeframe.

The unemployment rate is predicted to have a similar sluggish path to full recovery from record highs pre-coronavirus. California's jobless rate is projected to be 10.8% at the end of 2020; 8.6% at the end of 2021; and 6.6% at the end of 2022, according to economist expectations. There was no forecast provided stating when or if California would return to a 3.9% jobless rate.

The IE Economic Forecast is bouncing back rapidly from the severe and unprecedented pandemic-driven downturn that began in early 2020. Despite the alarming and record-breaking decline in economic output that occurred in the 2nd quarter, and the ongoing painful effects of the COVID-19 epidemic itself, the economy remains fundamentally strong, and in many ways is already rebounding according to economists.

Economists agree, the sectors experiencing the largest job losses in the Inland Empire are Leisure and Hospitality, Retail Trade, Other Services (includes hair and nail salons), Manufacturing, and Government. Once the virus is controlled, however, these sectors are expected to ramp up production to meet surging consumer demand.

Across the U.S., California, and the IE the forecasts are relatively rosy but come with a key caveat: Full recovery and resumption of economic activity/output is firmly dependent on containing the spread of the COVID-19 virus.

OMNITRANS
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST 10 YEARS

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Administration	5	5	5	3	4
Operation	445	438	443	450	468
Maintenance	99	102	101	100	102
Information Technology	6	6	5	5	8
Marketing	23	23	25	24	29 *
Planning	17	19	18	15	0
Human Resources	9	9	9	9	9
Safety & Security	4	4	3	3	3
Procurement	17	19	18	19	18
Finance	12	12	11	11	12
Integrated Project Mgmt. Oversight (IPMO)					4 **
Rail					
Special Transportation Services					
Total	<u>637</u>	<u>637</u>	<u>638</u>	<u>639</u>	<u>657</u>

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Administration	4	4	5	4	3
Operation	464	479	481	513	345
Maintenance	107	103	101	105	93
Information Technology	8	8	8	10	7
Marketing	30	30	32	32	29
Planning	0	0	0	0	0
Human Resources	9	10	13	11	10
Safety & Security	4	4	3	3	5
Procurement	20	18	18	18	18
Finance	12	12	11	11	10
Integrated Project Mgmt. Oversight (IPMO)	3	1	0 ****	0	0
Rail Service		2	2	2	2
Special Transportation Services	10 ***	13	13	14	7
Total	<u>671</u>	<u>684</u>	<u>687</u>	<u>723 *****</u>	<u>529 *****</u>

* Re-organization combined the Marketing Department and Planning Department.

** Re-organization separated the Project Management Oversight (IPMO) Employees from the Planning Department.

*** Employees of Valley Transportation Services (VTrans) joined OmniTrans in April 2016.

**** Re-evaluated to Capital Projects Services Manager in Human Resources.

***** Includes active & inactive (LOA, SDI, Workers' Comp., etc.) employees.

Source: Human Resources Department

OMNITRANS
OPERATING EXPENSES BY CATEGORY
LAST 10 YEARS

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Personnel	\$24,869,713	\$25,280,131	\$25,718,114	\$25,505,890	\$26,313,115
Materials & Supplies	7,743,557	8,479,014	8,396,813	8,533,634	9,191,072
Casualty & Liability	4,674,142	5,100,830	6,525,076	1,146,301	2,851,520
Purchased Transportation	8,831,959	8,882,227	9,084,344	9,075,431	9,261,048
Depreciation & Other	<u>33,182,921</u>	<u>38,534,224</u>	<u>37,492,829</u>	<u>36,477,412</u>	<u>36,491,366</u>
Total Operating Expenses	<u><u>\$79,302,292</u></u>	<u><u>\$86,276,426</u></u>	<u><u>\$87,217,176</u></u>	<u><u>\$80,738,668</u></u>	<u><u>\$84,108,121</u></u>

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Personnel	\$28,621,780	\$31,716,325	\$33,842,292	\$34,946,187	\$31,705,410
Materials & Supplies	7,288,414	7,663,731	5,584,044	7,585,990	6,222,215
Casualty & Liability	3,107,806	6,379,626	7,869,167	7,812,623	9,308,157
Purchased Transportation	9,041,314	8,803,691	8,947,264	10,764,903	10,173,138
Depreciation & Other	<u>37,834,526</u>	<u>41,517,627</u>	<u>47,200,083</u>	<u>53,370,265</u>	<u>53,767,412</u>
Total Operating Expenses	<u><u>\$85,893,840</u></u>	<u><u>\$96,081,000</u></u>	<u><u>\$103,442,850</u></u>	<u><u>\$114,479,968</u></u>	<u><u>\$111,176,332</u></u>

Source: Finance Department

OMNITRANS
OPERATING EXPENSES BY FUNCTION
LAST 10 YEARS

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Transportation	\$29,168,399	\$29,261,593	\$29,269,181	\$30,149,343	\$31,337,405
Maintenance	14,204,780	14,830,016	15,043,634	15,213,652	16,223,257
Risk Management *	4,674,142	5,100,830	6,525,076	1,146,301	2,851,520
Marketing	2,260,166	2,259,488	2,452,956	2,411,375	2,925,275
General Administration	7,835,246	8,052,766	6,887,007	8,473,242	8,147,166
Depreciation & Other **	21,159,558	26,771,733	27,039,322	23,344,755	22,623,498
Total Operating Expenses	<u>\$79,302,292</u>	<u>\$86,276,426</u>	<u>\$87,217,176</u>	<u>\$80,738,668</u>	<u>\$84,108,121</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Transportation	\$34,444,699	\$34,901,970	\$35,768,134	\$36,377,440	\$32,771,294
Maintenance	14,588,796	15,895,286	13,788,752	16,931,367	15,822,177
Risk Management *	3,107,806	6,379,626	7,869,167	7,812,623	9,308,157
Marketing	3,126,790	3,208,490	3,282,207	3,381,213	1,904,206
General Administration	6,615,304	9,315,612	13,341,246	11,354,192	20,901,379
Depreciation & Other **	24,010,445	26,380,016	29,393,344	38,623,133	30,469,119
Total Operating Expenses	<u>\$85,893,840</u>	<u>\$96,081,000</u>	<u>\$103,442,850</u>	<u>\$114,479,968</u>	<u>\$111,176,332</u>

* Risk Management consist of casualty and liability costs.

** Depreciation & Other cost consist of depreciation, purchased transportation, capital purchases, and miscellaneous.

Source: Finance Department

OMNITRANS
CAPITAL ASSETS BY FUNCTION
LAST 10 YEARS

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Fixed route					
Buses	167	179	172	186	191
Paratransit					
Paratransit buses	106	106	96	126	122
Paratransit vans	10	10	10	10	9
Support vehicles					
Vans, cars & trucks	42	43	37	37	40
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fixed route					
Buses	199	188	208	190	189
Paratransit					
Paratransit buses	144	109	137	137	119
Paratransit vans	6	0	0	0	0
Support vehicles					
Vans, cars & trucks	43	68	88	93	76

Source: Finance Department.



Proposition 1B

June 30, 2020

Omnitrans

San Bernardino, California

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**Independent Auditor's Report on Proposition 1B Schedule of
Unspent Funds and Cash Disbursements**

The Board of Directors
Omnitrans
San Bernardino, California

We have audited the financial statements of Omnitrans as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements and have issued our report thereon dated January 22, 2021, which expressed an unmodified opinion on those financial statements. Those financial statements are the responsibility of Omnitrans' management. Our responsibility is to express an opinion on the financial statements based on our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Omnitrans' basic financial statements. The accompanying Proposition 1B Schedule of Unspent Funds and Cash Disbursements is presented for purposes of additional analysis, to satisfy the requirements of Section 6667 of Title 21 of the California Code of Regulations, the California Government Code §8879.50, and the California State Senate Bill 88 (2007), et seq. and is 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. 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 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California
January 22, 2021

Omnitrans
Proposition 1B
Schedule of Unspent Funds and Cash Disbursements
Year Ended June 30, 2020

	<u>PTMISEA (1)</u>	<u>CTSG (2)</u>	<u>Total</u>
Unspent Prop 1B funds as of June 30, 2019	\$ 11,724,789	\$ 195,632	\$ 11,920,421
Prop 1B disbursements during the year ended June 30, 2020	(2,713,424)	(183,678)	(2,897,102)
Interest revenue earned on unspent Prop 1B funds during the year ended June 30, 2020	103,595	1,300	104,895
Change in FMV CD investments during the year ended June 30, 2020	<u>45</u>	<u>-</u>	<u>45</u>
Unspent Prop 1B funds as of June 30, 2020	<u><u>\$ 9,115,005</u></u>	<u><u>\$ 13,254</u></u>	<u><u>\$ 9,128,259</u></u>

(1) Public Transportation, Modernization, Improvement, and Service Enhancement Account

(2) California Transit Security Grant



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2020

Omnitrans

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 <i>Government Auditing Standards</i> , the Transportation Development Act and California Government Code §8879.50.....	1
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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 California Government Code §8879.50

Board of Directors
Omnitrans
San Bernardino, 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 Omnitrans as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements, and have issued our report thereon dated January 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Omnitrans' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Omnitrans' internal control. Accordingly, we do not express an opinion on the effectiveness of Omnitrans' 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Omnitrans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Title 21 of the California Code of Regulations and California Government Code §8879.50 et seq., noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, Section 6667 of Title 21 of the California Code of Regulations, or the California Government Code §8879.50 et seq.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California

January 22, 2021



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors
Omnitrans
San Bernardino, California

Report on Compliance for Each Major Federal Program

We have audited Omnitrans' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Omnitrans' major federal programs for the year ended June 30, 2020. Omnitrans' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Omnitrans' major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Omnitrans' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Omnitrans' compliance.

Opinion on Each Major Federal Program

In our opinion, Omnitrans complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Omnitrans is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Omnitrans' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Omnitrans' 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Omnitrans as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements. We have issued our opinion thereon dated January 22, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California

January 22, 2021

Omnitrans
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Grant Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation:				
<u>Direct Assistance:</u>				
<u>Federal Transit Cluster:</u>				
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y850-00	\$ 954,289	\$ 844,573
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Y939-00	84,480	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-2009-00	310,949	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z112-00	241,485	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-90-Z280-00	335,478	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2017-148	908,913	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2017-114	6,830,363	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-169	915,129	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-141	112,803	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2017-032-00	160,039	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2018-040-00	604,996	604,996
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-145	554,091	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-148	4,745,341	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-057	23,893,228	23,893,228
COVID-19 Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-119	6,704,144	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	1681-2020-2 (1100044)	10,358,782	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	1681-2020 (1100046)	1,019,248	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	1681-2019-6	854,582	-
Subtotal - 20.507			<u>59,588,340</u>	<u>25,342,797</u>
Bus and Bus Facilities Formula Program (Bus Program)	20.526	CA-2018-141	611,500	-
Bus and Bus Facilities Formula Program (Bus Program)	20.526	CA-2017-097-00	1,261,705	-
Subtotal - 20.526			<u>1,873,205</u>	<u>-</u>
Subtotal - Federal Transit Cluster			<u>61,461,545</u>	<u>25,342,797</u>
<u>Transit Services Programs Cluster:</u>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CA-2018-034-00	88,679	88,679
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	64AM18-00760	231,451	-
Subtotal - 20.513			<u>320,130</u>	<u>88,679</u>
Job Access and Reverse Commute Program	20.516	CA-37-X090-00	29,253	-
Job Access and Reverse Commute Program	20.516	CA-37-X146-00	62,370	-
Job Access and Reverse Commute Program	20.516	CA-37-X174-00	69,173	-
Subtotal - 20.516			<u>160,796</u>	<u>-</u>
New Freedom Program	20.521	CA-57-X017-00	43,476	-
New Freedom Program	20.521	CA-57-X062-00	138,944	-
New Freedom Program	20.521	CA-57-X089-00	17,345	-
Subtotal - 20.521			<u>199,765</u>	<u>-</u>
Subtotal - Transit Services Programs Cluster			<u>680,691</u>	<u>88,679</u>
National Infrastructure Investments	20.933	CA-2019-156	5,230,247	5,230,247
Total - U.S. Department of Transportation			<u>67,372,483</u>	<u>30,661,723</u>
Total Expenditures of Federal Awards			<u>\$ 67,372,483</u>	<u>\$ 30,661,723</u>

Note 1 - Summary of Significant Accounting Policies

(A) Scope of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Omnitrans under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Omnitrans, it is not intended to and does not present the financial position, changes in net position, or cash flows of Omnitrans.

(B) Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(C) Indirect Cost

Omnitrans elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(D) Catalog of Federal Domestic Assistance (CFDA) Numbers

The CFDA numbers included in this report were determined based on the programs name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

Name of Federal Program or Cluster	CFDA Numbers
Federal Transit Cluster	20.500/20.507/20.525/20.526
National Infrastructure Investments	20.933
Dollar threshold used to distinguish between Type A and Type B programs:	\$2,021,174
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

None reported.



Financial Statements
June 30, 2020 and 2019

City of Ontario, California
Transportation Development Act Fund

City of Ontario, California
Transportation Development Act Fund
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Ontario, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinions

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, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Management has omitted the management's discussion and analysis for the TDA Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund's financial statements. The budgetary comparison schedule and the schedule of allocations received and expended, by project year, on pages 9 and 10 are presented for purposes of additional analysis and is not a required part of the financial statements.

The budgetary comparison schedule and the schedule of allocations received and expended, by project year, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, allocations received and expended, by project year, 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Fund.

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Rancho Cucamonga, California
December 28, 2020

City of Ontario, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Assets		
Total assets	\$ -	\$ -
Liabilities and Fund Balance		
Liabilities		
Due to the City of Ontario	\$ 85,484	\$ 85,484
Fund balance (deficit)		
Unassigned	(85,484)	(85,484)
Total liabilities and fund balance	\$ -	\$ -

City of Ontario, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
Years Ended June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Revenues		
TDA allocation	\$ -	\$ 125,356
Expenditures		
TDA expenditures	-	140,534
Net Change in Fund Balance	-	(15,178)
Fund Balance (Deficit), Beginning of Year	(85,484)	(70,306)
Fund Balance (Deficit), End of Year	<u>\$ (85,484)</u>	<u>\$ (85,484)</u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Ontario, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians.

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 10% of the project costs. The City satisfied the 10% match in the fiscal year by utilizing City funding for 10% of the total project costs incurred.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Article 3 Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The Article 3 TDA Fund is accounted for as a separate capital improvement project within the City's General Capital Improvement fund, which is a capital projects fund.

B. Measurement Focus and Basis of Accounting

The capital projects funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Article 3 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Article 3 Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall. As of June 30, 2020 and 2019, the cash balance of the TDA fund is \$0.

D. Estimates

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

Note 3 - Due to the City of Ontario

Due to the City of Ontario of \$85,484 represents the amounts paid by the City on behalf of the TDA Fund. The TDA Fund will reimburse the City as the allocation is received.

Note 4 - Deficit Fund Balance

The TDA Fund reported a deficit fund balance of \$85,484. Article 3 allocations are received on a reimbursement basis. The deficit will be eliminated as the TDA revenues meet the availability criteria for revenue recognition.



Supplementary Information
June 30, 2020 and 2019

City of Ontario, California
Transportation Development Act Fund

City of Ontario, California
Transportation Development Act Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Years Ended June 30, 2020 and 2019

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
<u>June 30, 2020</u>				
Revenues				
TDA allocation	\$ -	\$ 89,669	\$ -	\$ (89,669)
Expenditures				
Current				
TDA expenditures	-	-	-	-
Net Change in Fund Balance	-	89,669	-	(89,669)
Fund Balance (Deficit), Beginning of Year	(85,484)	(85,484)	(85,484)	-
Fund Balance (Deficit), End of Year	<u>\$ (85,484)</u>	<u>\$ 4,185</u>	<u>\$ (85,484)</u>	<u>\$ (89,669)</u>
	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
<u>June 30, 2019</u>				
Revenues				
TDA allocation	\$ -	\$ 89,669	\$ 125,356	\$ 35,687
Expenditures				
Current				
TDA expenditures	-	140,534	140,534	-
Net Change in Fund Balance	-	(50,865)	(15,178)	35,687
Fund Balance (Deficit), Beginning of Year	(70,306)	(70,306)	(70,306)	-
Fund Balance (Deficit), End of Year	<u>\$ (70,306)</u>	<u>\$ (121,171)</u>	<u>\$ (85,484)</u>	<u>\$ 35,687</u>

Note:

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.

City of Ontario, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Years Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2019	Expenditures	Unspent Allocations at 06/30/2020
Article 3	Grove Avenue Trail Connection	2017-18	<u>\$ 233,387</u>	<u>\$ 233,387</u>	<u>\$ -</u>	<u>\$ 233,387</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Ontario, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020 and 2019

City of Rancho Cucamonga, California Transportation Development Act Fund

City of Rancho Cucamonga, California
Transportation Development Act Fund

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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Rancho Cucamonga, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, and the related notes to 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 an opinion 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 City'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 City'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.

Opinions

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, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 and 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such omitted information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this omitted information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund's financial statements. The schedule of allocations received and expended, by project year, on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 accompanying schedule of allocations received and expended by project year 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Fund.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

City of Rancho Cucamonga, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Assets		
Accounts receivable	\$ -	\$ 36,838
Liabilities and Fund Balance		
Due to the City of Rancho Cucamonga	\$ 1,739	\$ 36,838
Fund Balance (Deficit)		
Unassigned	(1,739)	-
Total liabilities and fund balance	\$ -	\$ 36,838

City of Rancho Cucamonga, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Revenues		
TDA allocation	\$ -	\$ 36,838
Expenditures		
TDA expenditures	1,739	36,838
Net Change in Fund Balance	(1,739)	-
Fund Balance, Beginning of Year	-	-
Fund Balance (Deficit), End of Year	\$ (1,739)	\$ -

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Rancho Cucamonga, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 10% of the project costs. The City satisfied the 10% match in the fiscal year by utilizing City funding for 10% of the total project costs incurred.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Article 3 Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The TDA Article 3 expenditures are accounted for as a separate capital improvement project within the City's Pedestrian Grant Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its Article 3 special revenue fund.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds, including the TDA Fund, based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall. As of June 30, 2020, the cash balance of the TDA Fund is \$0.

D. Estimates

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

Note 3 - Due to the City of Rancho Cucamonga

Due to the City of Rancho Cucamonga of \$1,739 represents the amounts paid by the City on behalf of the TDA Fund. The balance will be prepaid as the TDA allocations are received.

Note 4 - Deficit Fund Balance

The TDA Fund ended the year with a deficit fund balance of \$1,739. Article 3 revenues are received on a reimbursement basis. The timing difference between the expenditures and receipt of Article 3 revenues has created the deficit fund balance, which will be reduced by future Article 3 revenues received from SBCTA.



Required Supplementary Information
June 30, 2020 and 2019

City of Rancho Cucamonga, California Transportation Development Act Fund

City of Rancho Cucamonga, California
Transportation Development Act Fund

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 3 Fund
Years Ended June 30, 2020 and 2019

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
<u>June 30, 2020</u>				
Revenues				
TDA allocation	\$ 451,000	\$ 49,740	\$ -	\$ (49,740)
Expenditures				
Capital				
TDA expenditures	49,740	49,740	1,739	48,001
Net Change in Fund Balance	401,260	-	(1,739)	(1,739)
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ 401,260</u>	<u>\$ -</u>	<u>\$ (1,739)</u>	<u>\$ (1,739)</u>
	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
<u>June 30, 2019</u>				
Revenues				
TDA allocation	\$ 43,000	\$ 43,000	\$ 36,838	\$ (6,162)
Expenditures				
Capital				
TDA expenditures	43,000	43,000	36,838	6,162
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Supplementary Information
June 30, 2020 and 2019

City of Rancho Cucamonga, California Transportation Development Act Fund

City of Rancho Cucamonga, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2019	Expenditures	Unspent Allocations at 06/30/2020
Article 3	Day Creek Channel Bike Trail	2019-20	\$ 403,000	\$ -	\$ 1,739	\$ 401,261
Article 3	Bus Stops 1-5	2019-20	48,000	-	-	48,000
Article 3	Bus Stops 1-5	2017-18	43,000	6,162	-	6,162
			<u>\$ 494,000</u>	<u>\$ 6,162</u>	<u>\$ 1,739</u>	<u>\$ 455,423</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Rancho Cucamonga, California (City), as of and for the year ended June 30, 2020 and the related notes to financial statements, and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 City'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.

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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020 and 2019

City of Redlands, California
Transportation Development Act Fund

City of Redlands, California
Transportation Development Act Fund
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Redlands, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinions

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, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 and 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund's financial statements. The schedule of allocations received and expended, by project year, on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 accompanying schedule of allocations received and expended by project year 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Fund.

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Rancho Cucamonga, California
December 28, 2020

City of Redlands, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Assets		
Due from other governments	\$ 100,027	\$ 96,665
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 99,934	\$ 92,637
Retentions payable	-	3,935
Total liabilities	99,934	96,572
Deferred inflows of resources		
Unavailable revenue	100,027	96,665
Fund balance (deficit)		
Unassigned	(99,934)	(96,572)
Total liabilities, deferred inflows of resources and fund balance	\$ 100,027	\$ 96,665

City of Redlands, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Revenues		
TDA allocation	\$ 185,035	\$ 2,269
Miscellaneous	-	3,625
	<u>185,035</u>	<u>5,894</u>
Total revenues		
Expenditures		
Current		
TDA expenditures	<u>188,397</u>	<u>99,008</u>
Net Change in Fund Balance	(3,362)	(93,114)
Fund Balance (Deficit), Beginning of Year	<u>(96,572)</u>	<u>(3,458)</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (99,934)</u></u>	<u><u>\$ (96,572)</u></u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Redlands, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians.

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds ranging from 10% to 66.67% of the project costs.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Article 3 Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for the activity of the Article 3 TDA Fund in its Transportation Development Act Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its Article 3 special revenue fund.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Estimates

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

D. Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

Note 3 - Due from Other Governments

Due from other governments represents the Transportation Development Act Local Transportation Fund revenues for the fiscal year received from SBCTA after June 30, 2020 and 2019.

Note 4 - Deficit Fund Balance

The TDA Article 3 Transportation Fund ended the fiscal year with the deficit fund balance of \$99,934.

TDA Article 3 monies are provided on a reimbursement basis upon completion of the projects. The timing difference between project expenditures and the recognition of TDA Article 3 revenue results in deficit fund balance. The deficit will be eliminated when the funding meets the requirements for revenue recognition.



Required Supplementary Information
June 30, 2020 and 2019

City of Redlands, California
Transportation Development Act Fund

City of Redlands, California
Transportation Development Act Fund

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 3 Fund
Years Ended June 30, 2020 and 2019

	Budget			Variance From Final Budget Positive (Negative)
<u>June 30, 2020</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	\$ -	\$ 1,575,749	\$ 185,035	\$ (1,390,714)
Expenditures				
TDA expenditures	-	1,479,084	188,397	1,290,687
Net Change in Fund Balance	-	96,665	(3,362)	(100,027)
Fund Balance (Deficit), Beginning of Year	(96,572)	(96,572)	(96,572)	-
Fund Balance (Deficit), End of Year	<u>\$ (96,572)</u>	<u>\$ 93</u>	<u>\$ (99,934)</u>	<u>\$ (100,027)</u>
<u>June 30, 2019</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	\$ 100,000	\$ 1,270,084	\$ 2,269	\$ (1,267,815)
Investment income	-	114	-	(114)
Miscellaneous	-	3,625	3,625	-
Total revenues	<u>100,000</u>	<u>1,273,823</u>	<u>5,894</u>	<u>(1,267,929)</u>
Expenditures				
Current				
TDA expenditures	<u>100,000</u>	<u>1,270,017</u>	<u>99,008</u>	<u>1,171,009</u>
Net Change in Fund Balance	-	3,806	(93,114)	(96,920)
Fund Balance (Deficit), Beginning of Year	(3,458)	(3,458)	(3,458)	-
Fund Balance (Deficit), End of Year	<u>\$ (3,458)</u>	<u>\$ 348</u>	<u>\$ (96,572)</u>	<u>\$ (96,920)</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Supplementary Information
June 30, 2020 and 2019

City of Redlands, California
Transportation Development Act Fund

City of Redlands, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2019	Expenditures	Unspent Allocations at 06/30/2020
Article 3	Highland/Redlands Regional Connector Loop Project	2019-20	\$ 157,934	\$ -	\$ -	\$ 157,934
Article 3	Bus Stop Landing Renovations	2018-19	85,035	84,577	84,577	-
Article 3	PIPP Implementation Project	2017-18	161,214	161,214	-	161,214
Article 3	Sidewalk Repair	2017-18	100,000	60,652	60,652	-
Article 3	East Valley Corridor Bike Route	2017-18	264,401	208,178	43,168	165,010
Article 3	Orange Blossom Trail Project	2013-14	918,722	817,743	-	817,743
Total Allocations			<u>\$ 1,687,306</u>	<u>\$ 1,332,364</u>	<u>\$ 188,397</u>	<u>\$ 1,301,901</u>

Match Requirements:

Certain projects require a local match. The City has utilized the General Fund, Local Transportation Fund and Omnitrans Grant for the match. The funding for the matching amounts are as follows:

Sidewalk Repair	\$ 60,652
Transit Stop Access Bus Stop Projects	8,628
East Valley Corridor Bike Route	<u>67,661</u>
Total Match provided	<u>\$ 136,941</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Redlands, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020 and 2019

City of Rialto, California
Transportation Development Act Fund

City of Rialto, California
Transportation Development Act Fund
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Rialto, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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 opinion.

Opinions

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, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 and 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund's financial statements. The schedule of allocations received and expended, by project year, on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 accompanying schedule of allocations received and expended by project year 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 our report dated January 29, 2021, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Fund.

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Rancho Cucamonga, California
January 29, 2021

City of Rialto, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Assets		
Cash and investments	\$ 45,872	\$ -
Accounts receivable	<u>386,021</u>	<u>250,000</u>
Total assets	<u><u>\$ 431,893</u></u>	<u><u>\$ 250,000</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts Payable	\$ 136,021	\$ -
Due to the City of Rialto	<u>250,000</u>	<u>250,000</u>
Deferred inflows of resources		
Unavailable revenue	<u>386,021</u>	<u>250,000</u>
Fund balance (deficit)		
Unassigned	<u>(340,149)</u>	<u>(250,000)</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 431,893</u></u>	<u><u>\$ 250,000</u></u>

City of Rialto, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Revenues		
TDA allocation	\$ 45,872	\$ -
Expenditures		
Current		
TDA expenditures	136,021	250,000
Net Change in Fund Balance	(90,149)	(250,000)
Fund Balance (Deficit), Beginning of Year	(250,000)	-
Fund Balance (Deficit), End of Year	<u>\$ (340,149)</u>	<u>\$ (250,000)</u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Rialto, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 10% of the project costs. The City satisfied the 10% match in the fiscal year by utilizing City funding for 10% of the total project costs incurred.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Article 3 Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for the activity of the Article 3 TDA Fund in its Transportation Development Act Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its Article 3 special revenue fund.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 90 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Article 3 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Article 3 Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall. As of June 30, 2020 and 2019, the cash balance of the TDA fund is \$0.

D. Estimates

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

E. Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

Note 3 - Accounts Receivable.

Accounts receivable of \$386,021 and \$250,000 represent the TDA revenues which had not been received from SBCTA as of June 30, 2020 and June 30, 2019, respectively.

Note 4 - Due to the City of Rialto

Due to the City of Rialto of \$250,000 represents the amounts paid by the City on behalf of the TDA Fund for expenditures incurred for which reimbursements had not yet been received as of June 30, 2020 and June 30, 2019.

Note 5 - Deficit Fund Balance

The TDA Fund reported a deficit fund balance of 340,149 as of June 30, 2020 and \$250,000 as of June 30, 2019. Article 3 revenues may be spent on projects, and then reimbursed after completion. As such, the timing difference between the expenditures and receipt of Article 3 revenues has created a deficit fund balance. The obligation of the negative unassigned fund balance will be paid by future Article 3 revenues from SBCTA.



Required Supplementary Information
June 30, 2020 and 2019

City of Rialto, California
Transportation Development Act Fund

City of Rialto, California
Transportation Development Act Fund

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 3 Fund
Years Ended June 30, 2020 and 2019

	Budget			Variance From Final Budget Positive (Negative)
<u>June 30, 2020</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	<u>\$ 612,021</u>	<u>\$ 612,021</u>	<u>\$ 45,872</u>	<u>\$ (566,149)</u>
Expenditures				
Current				
TDA expenditures	<u>362,021</u>	<u>362,021</u>	<u>136,021</u>	<u>226,000</u>
Net Change in Fund Balance	250,000	250,000	(90,149)	(340,149)
Fund Balance (Deficit), Beginning of Year	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (340,149)</u>	<u>\$ (340,149)</u>
	Budget			Variance From Final Budget Positive (Negative)
<u>June 30, 2019</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	<u>\$ 386,021</u>	<u>\$ 386,021</u>	<u>\$ 45,872</u>	<u>\$ (340,149)</u>
Expenditures				
Current				
TDA expenditures	<u>386,021</u>	<u>386,021</u>	<u>250,000</u>	<u>136,021</u>
Net Change in Fund Balance	-	-	(204,128)	(204,128)
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (204,128)</u>	<u>\$ (204,128)</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Supplementary Information
June 30, 2020 and 2019

City of Rialto, California
Transportation Development Act Fund

City of Rialto, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2019	Expenditures	Unspent Allocations at 06/30/2020
Article 3	Easton Sidewalk Improvements	2019-20	\$ 226,000	\$ -	\$ -	\$ 226,000
Article 3	City of Rialto Bus Stop Project	2019-20	14,432	-	-	14,432
Article 3	Cedar Avenue Railroad Crossing Pedestrian Improvements	2017-18	250,000	-	-	-
Article 3	Etiwanda Corridor Improvements	2015-16	136,021	136,021	136,021	-
			<u>\$ 626,453</u>	<u>\$ 136,021</u>	<u>\$ 136,021</u>	<u>\$ 240,432</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Rialto, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements, and have issued our report thereon dated January 29, 2021. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 29, 2021



Financial Statements
June 30, 2020 and 2019

City of San Bernardino, California
Transportation Development Act Fund

City of San Bernardino, California
Transportation Development Act Fund

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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of San Bernardino, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinions

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, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 and 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund's financial statements. The schedule of allocations received and expended, by project year, on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 accompanying schedule of allocations received and expended by project year 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 our report dated January 26, 2021, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Fund.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 26, 2021

City of San Bernardino, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Assets		
Accounts receivable	\$ 35,249	\$ 35,249
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Due to the City of San Bernardino	\$ 35,249	\$ 35,249
Deferred inflows of resources		
Unavailable revenue	35,249	35,249
Fund balance (deficit)		
Unassigned	(35,249)	(35,249)
Total liabilities, deferred inflows of resources and fund balance	\$ 35,249	\$ 35,249

City of San Bernardino, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2020 and 2019

	<u>2020</u> <u>Article 3</u>	<u>2019</u> <u>Article 3</u>
Revenues		
Contribution from the City of San Bernardino	<u>\$ -</u>	<u>\$ 6,220</u>
Expenditures		
Current		
TDA expenditures	<u>-</u>	<u>3,439</u>
Net Change in Fund Balance	-	2,781
Fund Balance (Deficit), Beginning of Year	<u>(35,249)</u>	<u>(38,030)</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (35,249)</u></u>	<u><u>\$ (35,249)</u></u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of San Bernardino, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 10% of the project costs. The City satisfied the 10% match in the fiscal year by utilizing City funding for 10% of the total project costs incurred.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Article 3 Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for the activity of the Article 3 TDA Fund in its Article 3 Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its Article 3 special revenue fund.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Article 3 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the Article 3 Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall. As of June 30, 2020 and 2019, the cash balance of the TDA fund is \$0.

D. Estimates

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

E. Deferred Inflows of Resources

Deferred inflows of resources-unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available. Deferred inflows of resources in the financial statements represent amounts due from other governments at year-end, and not collected with a timeframe to finance current year expenditures.

Note 3 - Accounts Receivable

Accounts receivable of \$35,249 represents the TDA allocation which had not been received from SBCTA as of June 30, 2020 and June 30, 2019.

Note 4 - Due to the City of San Bernardino

During the year, the TDA Fund did not borrow additional amounts from the City to pay costs, since no costs were incurred on the Article 3 project. The amount owed to the City at June 30, 2020 and June 30, 2019 was \$35,249.

Note 5 - Deficit Fund Balance

The TDA Fund reported a deficit fund balance of \$35,249 as of June 30, 2020 and \$35,249 as of June 30, 2019. Article 3 allocations are received on a reimbursement basis. As such, the timing difference between the expenditures and receipt of funds results in a deficit fund balance. The deficit will be eliminated once the Article 3 revenues meet the requirements for recognition.



Required Supplementary Information
June 30, 2020 and 2019

City of San Bernardino, California
Transportation Development Act Fund

City of San Bernardino, California
Transportation Development Act Fund

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 3 Fund
Years Ended June 30, 2020 and 2019

	Budget			Variance From Final Budget Positive (Negative)
	Original	Final	Actual	
<u>June 30, 2020</u>				
Revenues				
Contribution from the City of San Bernardino	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
TDA expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance (Deficit), Beginning of Year	(35,249)	(35,249)	(35,249)	-
Fund Balance (Deficit), End of Year	<u>\$ (35,249)</u>	<u>\$ (35,249)</u>	<u>\$ (35,249)</u>	<u>\$ -</u>
	Budget			Variance From Final Budget Positive (Negative)
	Original	Final	Actual	
<u>June 30, 2019</u>				
Revenues				
Contribution from the City of San Bernardino	\$ -	\$ -	\$ 6,220	\$ 6,220
Expenditures				
Current				
TDA expenditures	-	-	3,439	(3,439)
Net Change in Fund Balance	-	-	2,781	2,781
Fund Balance (Deficit), Beginning of Year	(38,030)	(38,030)	(38,030)	-
Fund Balance (Deficit), End of Year	<u>\$ (38,030)</u>	<u>\$ (38,030)</u>	<u>\$ (35,249)</u>	<u>\$ 2,781</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The actual expenditures of the TDA exceeded budgetary appropriations by \$0 and \$3,439 for the year ending June 30, 2020 and 2019, respectively.



Supplementary Information
June 30, 2020 and 2019

City of San Bernardino, California
Transportation Development Act Fund

City of San Bernardino, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2019	Expenditures	Unspent Allocations at 06/30/2020
Article 3	City of San Bernardino Bus Stop Project	2019-20	\$ 26,936	\$ -	\$ -	\$ 26,936
Article 3	5283 Lynwood at Merito EB	2017-18	4,248	4,248	-	4,248
Article 3	G St. & Rialto TDA Article 3 Bike	2015-16	42,539	7,290	-	7,290
Article 3	Bicycle Lane Extension along G St. and Rialto Ave	2011-12	51,000	51,000	-	51,000
			<u>\$ 124,723</u>	<u>\$ 62,538</u>	<u>\$ -</u>	<u>\$ 89,474</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of San Bernardino, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated January 26, 2021. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 26, 2021



Financial Statements
June 30, 2020 and 2019

City of Twentynine Palms, California
Transportation Development Act Fund

City of Twentynine Palms, California
Transportation Development Act Fund
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 8 Fund (TDA Fund) of the City of Twentynine Palms, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinions

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, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 9 through 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Fund's financial statements. The schedule of allocations received and expended, by project year, on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 accompanying schedule of allocations received and expended by project year 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Fund.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

City of Twentynine Palms, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	2020 Article 8	2019 Article 8
Assets		
Cash and investments	\$ 526,424	\$ 705,171
Interest receivable	<u>2,126</u>	<u>4,576</u>
Total assets	<u><u>\$ 528,550</u></u>	<u><u>\$ 709,747</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 21,176	\$ 41,531
Accrued liabilities	<u>6,206</u>	<u>6,206</u>
Total liabilities	<u>27,382</u>	<u>47,737</u>
Fund Balance		
Restricted	<u>501,168</u>	<u>662,010</u>
Total liabilities and fund balance	<u><u>\$ 528,550</u></u>	<u><u>709,747</u></u>

City of Twentynine Palms, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2020 and 2019

	2020 Article 8	2019 Article 8
Revenues		
TDA allocation	\$ 205,842	\$ 480,712
Interest income	<u>12,508</u>	<u>17,114</u>
Total revenues	<u>218,350</u>	<u>497,826</u>
Expenditures		
Current		
General government	10,000	10,000
Capital		
TDA expenditures	<u>369,192</u>	<u>386,479</u>
Total expenditures	<u>379,192</u>	<u>396,479</u>
Net Change in Fund Balance	(160,842)	101,347
Fund Balance, Beginning of Year	<u>662,010</u>	<u>560,663</u>
Fund Balance, End of Year	<u><u>\$ 501,168</u></u>	<u><u>\$ 662,010</u></u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 8 Fund only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Twentynine Palms, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 8

San Bernardino County Transportation Authority (SBCTA) receives and passes through Article 8 funding to the local claimants for the purposes of local streets and roads in accordance with Section 99400 of the California Public Utilities Code, which may include those purposes necessary and convenient to the development, construction, and maintenance of the city or county's streets and highways network, which further includes planning and contributions to the transportation planning process, acquisition of real property, and construction of facilities and buildings. The fund may also be used for passenger rail service operations and capital improvements.

Article 8, subdivision C further allows payments to counties, cities, and transit districts for their administrative and planning cost with respect to transportation services. A claimant may also receive payments for capital expenditures to acquire vehicles and related equipment, bus shelters, bus benches, and communication equipment for the transportation services.

Payment of Article 8 to any entity that provides public transportation services under contract with the local county, city, or transit district for any group with special transportation assistance needs must be determined by SBCTA.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for the activity of the Article 8 TDA Fund in its Article 8 Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its Article 8 special revenue fund. Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall. As of June 30, 2020, cash balance is \$526,424 and \$705,171 in 2019.

The TDA Fund's cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The TDA Fund's deposits and withdrawals in the City's investment pool are made on the basis of \$1 and not fair value. Accordingly, the TDA Fund's investment in the City's investment pool is measured with inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

D. Estimates

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



Required Supplementary Information
June 30, 2020 and 2019

City of Twentynine Palms, California Transportation Development Act Fund

City of Twentynine Palms, California
Transportation Development Act Fund

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 8 Fund
Years Ended June 30, 2020 and 2019

<u>June 30, 2020</u>	<u>Budget</u>		<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ 205,000	\$ 205,000	\$ 205,842	\$ 842
Interest income	-	-	12,508	12,508
Total revenues	<u>205,000</u>	<u>205,000</u>	<u>218,350</u>	<u>13,350</u>
Expenditures				
Current				
General government	10,000	10,000	10,000	-
Capital				
TDA expenditures	<u>325,971</u>	<u>325,971</u>	<u>369,192</u>	<u>(43,221)</u>
Total expenditures	<u>335,971</u>	<u>335,971</u>	<u>379,192</u>	<u>(43,221)</u>
Net Change in Fund Balance	(130,971)	(130,971)	(160,842)	(29,871)
Fund Balance, Beginning of Year	<u>662,010</u>	<u>662,010</u>	<u>662,010</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 531,039</u>	<u>\$ 531,039</u>	<u>\$ 501,168</u>	<u>\$ (29,871)</u>

City of Twentynine Palms, California
Transportation Development Act Fund

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 8 Fund
Years Ended June 30, 2020 and 2019

	Budget		Actual	Variance From Final Budget Positive (Negative)
<u>June 30, 2019</u>	<u>Original</u>	<u>Final</u>		
Revenues				
TDA allocation	\$ 265,000	\$ 265,000	\$ 480,712	\$ 215,712
Interest income	-	-	17,114	17,114
Total revenues	<u>265,000</u>	<u>265,000</u>	<u>497,826</u>	<u>232,826</u>
Expenditures				
Current				
General government	10,000	10,000	10,000	-
Capital				
TDA expenditures	<u>786,058</u>	<u>786,058</u>	<u>386,479</u>	<u>399,579</u>
Total expenditures	<u>796,058</u>	<u>796,058</u>	<u>396,479</u>	<u>399,579</u>
Net Change in Fund Balance	(531,058)	(531,058)	101,347	632,405
Fund Balance, Beginning of Year	<u>560,663</u>	<u>560,663</u>	<u>560,663</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 29,605</u>	<u>\$ 29,605</u>	<u>\$ 662,010</u>	<u>\$ 632,405</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control for the City is the Fund. The TDA Fund total expenditures exceeded the budgeted expenditures by \$43,221.



Supplementary Information
June 30, 2020 and 2019

City of Twentynine Palms, California Transportation Development Act Fund

City of Twentynine Palms, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2019	Expenditures	Unspent Allocations at 06/30/2020
Article 8	Streets & Road Maintenance	2019-20	\$ 205,842	\$ -	\$ -	\$ 205,842
Article 8	Streets & Road Maintenance	2018-19	480,712	480,712	224,408	256,304
Article 8	Streets & Road Maintenance	2017-18	682,556	154,784	154,784	-
			<u>\$ 1,369,110</u>	<u>\$ 635,496</u>	<u>\$ 379,192</u>	<u>\$ 256,304</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 8 Fund (TDA Fund) of the City of Twentynine Palms, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Fund do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020. In addition, our report included an explanatory paragraph stating that the financial statements do not include Management's Discussion and Analysis.

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 of the TDA Fund (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020 and 2019

City of Victorville, California
Transportation Development Act Fund

City of Victorville, California
Transportation Development Act Fund
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 and Article 8 Funds (TDA Funds) of the City of Victorville, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Funds of the City as of June 30, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 13 through 15 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Funds that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds' financial statements. The schedule of allocations received and expended, by project year, on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 accompanying schedule of allocations received and expended by project year 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the 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 to solely 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 effectiveness of the City's 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, as it relates to the TDA Funds.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

City of Victorville, California
Transportation Development Act Funds
Balance Sheets
June 30, 2020

	2020 Article 3	2020 Article 8
Assets		
Cash and investments	\$ -	\$ 2,054,724
Accounts receivable	-	13,295
Due from other governments	208,471	-
	<u>208,471</u>	<u>-</u>
Total assets	<u>\$ 208,471</u>	<u>\$ 2,068,019</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 9,346	\$ 31,246
Retention payable	-	1,053
Due to the City of Victorville	621,967	-
Deposit trust	-	3,250
	<u>631,313</u>	<u>35,549</u>
Total liabilities	<u>631,313</u>	<u>35,549</u>
Deferred Inflows of Resources		
Unavailable revenues	<u>208,471</u>	<u>580</u>
Fund Balance		
Restricted	-	2,031,890
Unassigned	<u>(631,313)</u>	<u>-</u>
Total fund balance (deficit)	<u>(631,313)</u>	<u>2,031,890</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 208,471</u>	<u>\$ 2,068,019</u>

City of Victorville, California
Transportation Development Act Funds
Balance Sheets
June 30, 2019

	2019 Article 3	2019 Article 8
Assets		
Cash and investments	\$ -	\$ 2,225,496
Accounts receivable	-	13,278
Due from other governments	213,709	-
	<u>213,709</u>	<u>-</u>
Total assets	<u>\$ 213,709</u>	<u>\$ 2,238,774</u>
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 171,407	\$ 13,121
Retention payable	9,021	3,825
Due to the City of Victorville	456,123	-
Deposit trust	-	3,250
	<u>636,551</u>	<u>20,196</u>
Total liabilities	<u>636,551</u>	<u>20,196</u>
Deferred Inflows of Resources		
Unavailable revenues	213,709	-
	<u>213,709</u>	<u>-</u>
Fund Balance		
Restricted	-	2,218,578
Unassigned	(636,551)	-
	<u>(636,551)</u>	<u>-</u>
Total fund balance (deficit)	<u>(636,551)</u>	<u>2,218,578</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 213,709</u>	<u>\$ 2,238,774</u>

City of Victorville, California
Transportation Development Act Funds
Statements of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2020

	2020 Article 3	2020 Article 8
Revenues		
TDA allocation	\$ 494,391	\$ 1,072,772
Investment income	-	39,838
Other income	-	65,431
	<hr/>	<hr/>
Total revenues	494,391	1,178,041
	<hr/>	<hr/>
Expenditures		
Capital		
TDA expenditures	489,153	1,364,729
	<hr/>	<hr/>
Net Change in Fund Balance	5,238	(186,688)
Fund Balance (Deficit), Beginning of Year	<hr/> (636,551)	<hr/> 2,218,578
Fund Balance (Deficit), End of Year	<hr/> <u>\$ (631,313)</u>	<hr/> <u>\$ 2,031,890</u>

City of Victorville, California
Transportation Development Act Funds
Statements of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2019

	2019 Article 3	2019 Article 8
Revenues		
TDA allocation	\$ -	\$ 1,418,965
Investment income	-	51,403
Other income	-	55,754
	<hr/>	<hr/>
Total revenues	-	1,526,122
	<hr/>	<hr/>
Expenditures		
Capital		
TDA expenditures	213,709	1,837,406
	<hr/>	<hr/>
Net Change in Fund Balance	(213,709)	(311,284)
Fund Balance (Deficit), Beginning of Year	<hr/> (422,842)	<hr/> 2,529,862
Fund Balance (Deficit), End of Year	<hr/> <u>\$ (636,551)</u>	<hr/> <u>\$ 2,218,578</u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 and Article 8 Funds (TDA Funds). Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Victorville, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds equal to 10% of the project costs. The City satisfied the 10% match in the fiscal year by utilizing City funding for 10% of the total project costs incurred.

Article 8

SBCTA receives and passes through Article 8 funding to the local claimants for the purposes of local streets and roads in accordance with Section 99400 of the California Public Utilities Code, which may include those purposes necessary and convenient to the development, construction, and maintenance of the city or county's streets and highways network, which further includes planning and contributions to the transportation planning process, acquisition of real property, construction of facilities and buildings. The fund may also be used for passenger rail service operations and capital improvements.

Article 8 subdivision C further allows payments to counties, cities, and transit districts for their administrative and planning cost with respect to transportation services. A claimant may also receive payments for capital expenditures to acquire vehicles and related equipment, bus shelters, bus benches, and communication equipment for the transportation services.

Payment of Article 8 to any entity that provides public transportation services under contract with the local county, city, or transit district for any group with special transportation assistance needs must be determined by SBCTA.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Funds of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for the activity of the TDA Funds in its Article 3 and Article 8 Funds, which are a special revenue funds.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within its Article 3 and 8 special revenue funds.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes. Deficit fund balance is categorized as unassigned.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Article 3 Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall located at 14343 Civic Center Drive, Victorville, California 92393.

The TDA Fund's cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The TDA Funds' deposits and withdrawals in the City investment pool are made on the basis of \$1 and not fair value. Accordingly, the measurement of fair value of the TDA Funds' investment in the City investment pool is based on inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

D. Estimates

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

E. Deferred Inflows of Resources

Deferred inflows of resources represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

Note 3 - Accounts Receivable/Due from Other Governments

The accounts receivable and due from other governments balances represent TDA allocations to be received from SBCTA, but not collected as of June 30, 2020.

Note 4 - Allocated Costs

In accordance with the City's cost allocation plan, \$258,742 of allocated costs have been charged to the Article 8 Fund. These costs include allocations for departmental costs such as the city manager, risk management, city clerk, finance, information services, city attorney, human resources, fleet maintenance, and city facilities and are included in TDA expenditures.

Note 5 - Deficit Fund Balance

The Article 3 Fund ended the year with a deficit fund balance of \$631,313. The deficit is due in part to the timing difference between spending Article 3 funding and recognizing the related revenue.

Note 6 - Due to the City of Victorville

At June 30, 2020, the Article 3 Fund owed the City \$621,967 which represents short term borrowings from the City's investment pool.



Required Supplementary Information
June 30, 2020 and 2019

City of Victorville, California
Transportation Development Act Funds

City of Victorville, California
Transportation Development Act Funds

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 3 Fund
Years Ended June 30, 2020 and 2019

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
<u>June 30, 2020</u>				
Revenues				
TDA allocation	\$ -	\$ -	\$ 494,391	\$ 494,391
Expenditures				
Capital				
TDA expenditures	525,718	525,718	489,153	36,565
Net Change in Fund Balance	(525,718)	(525,718)	5,238	530,956
Fund Balance (Deficit), Beginning of Year	(636,551)	(636,551)	(636,551)	-
Fund Balance (Deficit), End of Year	<u>\$ (1,162,269)</u>	<u>\$ (1,162,269)</u>	<u>\$ (631,313)</u>	<u>\$ 530,956</u>
	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
<u>June 30, 2019</u>				
Revenues				
TDA allocation	\$ -	\$ 559,000	\$ -	\$ (559,000)
Expenditures				
Capital				
TDA expenditures	-	739,428	213,709	525,719
Net Change in Fund Balance	-	(180,428)	(213,709)	(33,281)
Fund Balance (Deficit), Beginning of Year	(422,842)	(422,842)	(422,842)	-
Fund Balance (Deficit), End of Year	<u>\$ (422,842)</u>	<u>\$ (603,270)</u>	<u>\$ (636,551)</u>	<u>\$ (33,281)</u>

City of Victorville, California
Transportation Development Act Funds

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 8 Fund
Years Ended June 30, 2020 and 2019

	Budget			Variance From Final Budget Positive (Negative)
<u>June 30, 2020</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	\$ 1,072,772	\$ 1,072,772	\$ 1,072,772	\$ -
Investment income	-	-	39,838	39,838
Other income	50,412	50,412	65,431	15,019
Total revenues	<u>1,123,184</u>	<u>1,123,184</u>	<u>1,178,041</u>	<u>54,857</u>
Expenditures				
Capital				
TDA expenditures	<u>1,485,781</u>	<u>1,975,606</u>	<u>1,364,729</u>	<u>610,877</u>
Total expenditures	<u>1,485,781</u>	<u>1,975,606</u>	<u>1,364,729</u>	<u>610,877</u>
Net Change in Fund Balance	(362,597)	(852,422)	(186,688)	665,734
Fund Balance, Beginning of Year	<u>2,218,578</u>	<u>2,218,578</u>	<u>2,218,578</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,855,981</u>	<u>\$ 1,366,156</u>	<u>\$ 2,031,890</u>	<u>\$ 665,734</u>

	Budget			Variance From Final Budget Positive (Negative)
<u>June 30, 2019</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	\$ 2,124,910	\$ 1,418,965	\$ 1,418,965	\$ -
Investment income	-	-	51,403	51,403
Other income	39,412	39,412	55,754	16,342
Total revenues	<u>2,164,322</u>	<u>1,458,377</u>	<u>1,526,122</u>	<u>67,745</u>
Expenditures				
Capital				
TDA expenditures	<u>1,944,212</u>	<u>3,624,659</u>	<u>1,837,406</u>	<u>1,787,253</u>
Net Change in Fund Balance	220,110	(2,166,282)	(311,284)	1,854,998
Fund Balance, Beginning of Year	<u>2,529,862</u>	<u>2,529,862</u>	<u>2,529,862</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,749,972</u>	<u>\$ 363,580</u>	<u>\$ 2,218,578</u>	<u>\$ 1,854,998</u>

Note 1 - Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.



Supplementary Information
June 30, 2020 and 2019

City of Victorville, California
Transportation Development Act Funds

City of Victorville, California
Transportation Development Act Funds
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2019	Expenditures	Unspent Allocations at 06/30/2020
Article 3	Bear Valley Rd, Jacaranda to Fish Hatchery	2017-18	\$ 559,000	\$ 525,719	\$ 489,153	\$ 36,566
Article 3	Arrowhead Drive/7th Avenue Bike Lane	2017-18	249,600	249,600	-	249,600
Article 3	ADA Compliance (pass-through VVTA)	2015-16	594,500	125,350	-	125,350
Total current year article 3 allocations			<u>\$ 1,403,100</u>	<u>\$ 900,669</u>	<u>\$ 489,153</u>	<u>\$ 411,516</u>
Article 8	Streets & Road Maintenance	2019-20	\$ 1,072,772	\$ -	\$ -	\$ 1,072,772
Article 8	Streets & Road Maintenance	2018-19	1,418,965	1,418,965	827,073	591,892
Article 8	Streets & Road Maintenance	2017-18	1,899,911	537,657	537,657	-
Total current year article 8 allocations			<u>\$ 4,391,648</u>	<u>\$ 1,956,622</u>	<u>\$ 1,364,730</u>	<u>\$ 1,664,664</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 and Article 8 Funds (TDA Funds) of the City of Victorville, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 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 of the TDA Funds (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Funds 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 Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) 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*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020 and 2019

City of Yucaipa, California
Transportation Development Act Fund

City of Yucaipa, California
Transportation Development Act Fund
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Yucaipa, California (City), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinions

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, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 and 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the TDA Fund of the City. The schedule of allocations received and expended, by project year on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 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 schedule of allocations received and expended, by project year 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 our report dated December 28, 2020, on our consideration of the City's internal control over financial reporting of the TDA Fund 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 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. 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, as it relates to the TDA Fund.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

City of Yucaipa, California
Transportation Development Act Fund
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Assets		
Accounts receivable	\$ 150,060	\$ -
Liabilities		
Due to the City of Yucaipa	150,060	-
Deferred inflows of resources		
Unavailable revenue	150,060	-
Fund Balance (Deficit)		
Unassigned	(150,060)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 150,060	\$ -

City of Yucaipa, California
Transportation Development Act Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
Years Ended June 30, 2020 and 2019

	2020 Article 3	2019 Article 3
Revenues		
TDA allocation	\$ 325,174	\$ -
Expenditures		
TDA expenditures	475,234	-
Net change in fund balance	(150,060)	-
Fund balance, beginning of year	-	-
Fund balance (Deficit), end of year	\$ (150,060)	\$ -

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act Article 3 Fund (TDA Fund) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Yucaipa, California (City), as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Fund may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians.

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the City is required to provide matching funds ranging from 10 percent to 50 percent of the project costs. The City satisfied its required match during the fiscal year.

Note 2 - Significant Accounting Policies

The accounting policies of the TDA Fund of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

A. Fund Accounting

The City accounts for activity of the Article 3 TDA Fund in its Grants Fund, which is a special revenue fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the City are accounted for 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 generally are recorded when a liability is incurred.

C. Cash and Investments

Cash and investments are pooled by the City to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Fund based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA Fund, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall. As of June 30, 2020, the cash balance of the TDA Fund is \$0.

D. Estimates

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

E. Deferred Inflows of Resources

Deferred inflows of resources unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized in the period that the amounts become available.

Note 3 - Accounts Receivable

Accounts Receivable of \$150,060 represents the TDA allocations which had not been received from SBCTA as of June 30, 2020. The amount is also included in unavailable revenue as it was not received within the City's period of availability.

Note 4 - Due to the City of Yucaipa

Due to the City of Yucaipa of \$150,060 represents the amounts paid by the City on behalf of the TDA Fund. The balance will be repaid as the TDA allocations are received.

Note 5 - Deficit Fund Balance

The TDA Fund ended the year with a deficit fund balance of \$150,060. Article 3 revenues are received on a reimbursement basis. The timing difference between the expenditures and receipt of Article 3 revenues has created the deficit fund balance, which will be reduced by future Article 3 revenues received from SBCTA.



Required Supplementary Information
June 30, 2020 and 2019

City of Yucaipa, California
Transportation Development Act Fund

City of Yucaipa, California
Transportation Development Act Fund
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Years Ended June 30, 2020 and 2019

	Budget		Actual	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
TDA allocation	\$ -	\$ -	\$ 325,174	\$ 325,174
Expenditures				
TDA expenditures	-	-	475,234	(475,234)
Net Change in Fund Balance	-	-	(150,060)	(150,060)
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance (Deficit), End of Year	\$ -	\$ -	\$ (150,060)	\$ (150,060)

Note 1 - Budgetary Information

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control for the City is the Fund.

The City did not adopt a budget for the TDA fund.



Supplementary Information
June 30, 2020 and 2019

City of Yucaipa, California
Transportation Development Act Fund

City of Yucaipa, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations June 30, 2019	Expenditures	Unspent Allocations June 30, 2020
Article 3	5th Street Phase II Bicycle and PedestrianProject	2019-2020	\$ 326,000	\$ -	\$ -	\$ 326,000
Article 3	Oak Glen Road Bicycle and Pedestrian Facility	2017-2018	89,728	89,728	-	89,728
Article 3	Bus Stop Landing and Sidewalk Improvements for OmniGo Route 310	2015-2016	50,502	50,502	-	50,502
Article 3	Historic Uptown Pedestrian/Bicycle Improvements	2013-2014	150,060	150,060	150,060	-
Article 3	5th Street Improvements	2011-2012	325,174	325,174	325,174	-
			<u>\$ 941,464</u>	<u>\$ 615,464</u>	<u>\$ 475,234</u>	<u>\$ 466,230</u>



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Yucaipa, California (City), as of and for the year ended June 30, 2020 and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020. Our report included an explanatory paragraph stating that the financial statements of the TDA Fund does not purport to, and does not, present fairly the financial position of the City as of June 30, 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 of the TDA Fund (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Fund of the City is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of San Bernardino County Transportation Authority (SBCTA), 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*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



Financial Statements
June 30, 2020 and 2019

Town of Yucca Valley, California Transportation Development Act Funds

Town of Yucca Valley, California
Transportation Development Act Funds
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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act Article 3 and 8 Funds (TDA Funds) of the Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2020 and June 30, 2019, 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 an opinion 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Funds of the Town as of June 30, 2020 and June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds and do not purport to, and do not, present fairly the financial position of the Town as of June 30, 2020 and June 30, 2019, and 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 10 through 12 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the management's discussion and analysis for the TDA Funds that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the TDA Funds' financial statements. The schedule of allocations received and expended, by project year, on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of allocations received and expended, by project year, 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. Such 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 financial statements or 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 accompanying schedule of allocations received and expended by project year 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 our report dated December 28, 2020, on our consideration of the Town's internal control over financial reporting of the TDA Fund 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 to solely 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 effectiveness of the Town's 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 Town's internal control over financial reporting and compliance, as it relates to the TDA Funds.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020

Town of Yucca Valley, California
Transportation Development Act Funds
Balance Sheets
June 30, 2020 and 2019

	2020 Article 3	2020 Article 8
Assets		
Cash and investments	\$ 145,640	\$ 1,706,426
Accounts receivable	91,000	-
	<u>236,640</u>	<u>-</u>
Total assets	<u>\$ 236,640</u>	<u>\$ 1,706,426</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 152,072	\$ 6,063
Fund Balance		
Restricted	84,568	1,700,363
	<u>236,640</u>	<u>1,700,363</u>
Total liabilities and fund balance	<u>\$ 236,640</u>	<u>\$ 1,706,426</u>
	2019 Article 3	2019 Article 8
Assets		
Cash and investments	\$ -	\$ 1,618,512
	<u>-</u>	<u>1,618,512</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ -	\$ 91,497
Fund Balance		
Restricted	-	1,527,015
	<u>-</u>	<u>1,527,015</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 1,618,512</u>

Town of Yucca Valley, California
Transportation Development Act Funds
Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2020 and 2019

	2020 Article 3	2020 Article 8
Revenues		
TDA allocation	\$ 91,000	\$ 152,352
Interest income	338	24,856
Total revenues	<u>91,338</u>	<u>177,208</u>
Expenditures		
TDA expenditures	<u>254,770</u>	<u>3,860</u>
Revenues Over (Under) Expenditures	<u>(163,432)</u>	<u>173,348</u>
Other Financing Sources (Uses)		
Transfers in from Measure I 2010-2040	<u>248,000</u>	<u>-</u>
Net Change in Fund Balance	84,568	173,348
Fund Balance, Beginning of Year	<u>-</u>	<u>1,527,015</u>
Fund Balance, End of Year	<u><u>\$ 84,568</u></u>	<u><u>\$ 1,700,363</u></u>
	2019 Article 3	2019 Article 8
Revenues		
TDA allocation	\$ -	\$ 196,849
Interest income	-	30,469
Total revenues	<u>-</u>	<u>227,318</u>
Expenditures		
TDA expenditures	<u>-</u>	<u>91,497</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>135,821</u>
Other Financing Sources (Uses)		
Transfers out to the Town of Yucca Valley	<u>-</u>	<u>(10,000)</u>
Net Change in Fund Balance	-	125,821
Fund Balance, Beginning of Year	<u>-</u>	<u>1,401,194</u>
Fund Balance, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 1,527,015</u></u>

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act Article 3 and Article 8 Funds (TDA Funds). Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the Town of Yucca Valley, California (Town) as of June 30, 2020 and 2019, and changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Article 3

The Town has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as 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 available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians

When an approved project is ready for construction, as evidenced by a contract award or commitment of the participating agency's resources, the participating agency submits a claim to SBCTA for disbursement of TDA Funds. The participating agency may submit the claim, either prior or subsequent to, incurring project expenditures. After review and approval of the claim, SBCTA issues the allocation disbursement instructions to the County Auditor-Controller. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the Town is required to provide matching funds equal to 10% of the project costs. The Town satisfied the 10% match in the fiscal year by utilizing Town funding for 10% of the total project costs incurred.

Article 8

SBCTA receives and passes through Article 8 funding to the local claimants for the purposes of local streets and roads in accordance with Section 99400 of the California Public Utilities Code, which may include those purposes necessary and convenient to the development, construction, and maintenance of the city or county's streets and highways network, which further includes planning and contributions to the transportation planning process, acquisition of real property, and construction of facilities and buildings. The fund may also be used for passenger rail service operations and capital improvements.

Article 8, subdivision C further allows payments to counties, cities, and transit districts for their administrative and planning cost with respect to transportation services. A claimant may also receive payments for capital expenditures to acquire vehicles and related equipment, bus shelters, bus benches, and communication equipment for the transportation services.

Payment of Article 8 to any entity that provides public transportation services under contract with the local county, city, or transit district for any group with special transportation assistance needs must be determined by SBCTA.

Note 2 – Significant Accounting Policies

The accounting policies of the TDA Funds of the Town conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

Fund Accounting

The Town accounts for the activity of the Article 3 and the Article 8 TDA Funds in its Article 3 Fund and Article 8 Fund, respectively, which are special revenue funds.

The accounts of the Town are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The Town accounts for the TDA activities in separate general ledger accounts within its Article 3 and Article 8 special revenue funds.

Special revenue funds are used to account for the proceeds derived from specific revenue sources which are restricted or committed to expenditures for specified purposes.

Measurement Focus and Basis of Accounting

The special revenue funds of the Town are accounted for 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 generally are recorded when a liability is incurred.

Cash and Investments

Cash and investments are pooled by the Town to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Funds based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA Funds, are those of the Town and are disclosed in the Town's basic financial statements. The Town's basic financial statements can be obtained at Town Hall.

The TDA Fund's cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The TDA Fund's deposits and withdrawals in the Town's investment pool are made on the basis of \$1 and not fair value. Accordingly, the TDA Fund's investment in the Town's investment pool is measured based on inputs that are uncategorized and not defined as a Level 1, Level 2, or Level 3 input.

Estimates

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

Note 3 – Accounts Receivable

Accounts receivable of \$91,000 represents the TDA Article 3 revenues which have not been received from SBCTA as of June 30, 2020.

Note 4 – Transfers in from Measure I 2010-2040

Transfers in the amount of \$248,000 represent monies transferred from the Town's Measure I 2010-2040 fund to fund expenditures associated with Article 3 project Outer Highway South Sidewalk (Yucca Valley Civic Center Pedestrian Access). The project is also a Measure I funded project.



Required Supplementary Information
June 30, 2020 and 2019

Town of Yucca Valley, California Transportation Development Act Funds

Town of Yucca Valley, California
Transportation Development Act Funds

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 3 Fund
Years Ended June 30, 2020 and 2019

<u>June 30, 2020</u>	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
TDA allocation	\$ 91,000	\$ 91,000	\$ 91,000	\$ -
Interest income	-	-	338	338
Total revenues	91,000	91,000	91,338	338
Expenditures				
TDA expenditures	339,000	339,000	254,770	84,230
Revenues Over (Under) Expenditures	(248,000)	(248,000)	(163,432)	84,568
Other Financing Sources (Uses)				
Transfers in from Measure I 2010-2040	248,000	248,000	248,000	-
Net Change in Fund Balance	-	-	84,568	84,568
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ 84,568	\$ 84,568

Town of Yucca Valley, California
Transportation Development Act Funds

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – TDA Article 8 Fund
Years Ended June 30, 2020 and 2019

	Budget			Variance From Final Budget Positive (Negative)
<u>June 30, 2020</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	\$ 152,352	\$ 152,352	\$ 152,352	\$ -
Interest income	10,000	10,000	24,856	14,856
Total revenues	162,352	162,352	177,208	14,856
Expenditures				
TDA expenditures	-	380,952	3,860	377,092
Revenues Over (Under) Expenditures	162,352	(218,600)	173,348	391,948
Net Change in Fund Balance	162,352	(218,600)	173,348	391,948
Fund Balance, Beginning of Year	1,527,015	1,527,015	1,527,015	-
Fund Balance, End of Year	<u>\$ 1,689,367</u>	<u>\$ 1,308,415</u>	<u>\$ 1,700,363</u>	<u>\$ 391,948</u>
	Budget			Variance From Final Budget Positive (Negative)
<u>June 30, 2019</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
TDA allocation	\$ 370,800	\$ 196,800	\$ 196,849	\$ 49
Interest income	10,000	10,000	30,469	20,469
Total revenues	380,800	206,800	227,318	20,518
Expenditures				
TDA expenditures	-	115,000	91,497	23,503
Revenues Over (Under) Expenditures	380,800	91,800	135,821	44,021
Other Financing Sources (Uses)				
Transfers out to the Town of Yucca Valley	-	(10,000)	(10,000)	-
Net Change in Fund Balance	380,800	81,800	125,821	44,021
Fund Balance, Beginning of Year	1,401,194	1,401,194	1,401,194	-
Fund Balance, End of Year	<u>\$ 1,781,994</u>	<u>\$ 1,482,994</u>	<u>\$ 1,527,015</u>	<u>\$ 44,021</u>

Note 1 - Budgetary Data

The Town adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.

There was no activity in the TDA Article 3 Fund for the year ending June 30, 2019.



Supplementary Information
June 30, 2020 and 2019

Town of Yucca Valley, California Transportation Development Act Funds

Town of Yucca Valley, California
Transportation Development Act Funds
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2020

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2019	Expenditures	Unspent Allocations at 06/30/2020
Article 3	*Civic Center Ped Access/Outer Highway South Sidewalk Project	2011-12/2019-20	\$ 91,000	\$ 91,000	\$ 254,770	\$ -
Article 8	Streets & Road Maintenance	2019-20	\$ 152,352	\$ -	\$ -	152,352
Article 8	Streets & Road Maintenance	2018-19	196,849	196,849	-	196,849
Article 8	Streets & Road Maintenance	2017-18	463,859	463,859	-	463,859
Article 8	Streets & Road Maintenance	2016-17	310,378	310,378	-	310,378
Article 8	Streets & Road Maintenance	2015-16	26,426	26,426	-	26,426
Article 8	Streets & Road Maintenance	2014-15	55,306	55,306	-	55,306
Article 8	Streets & Road Maintenance	2013-14	181,839	181,839	-	181,839
Article 8	Streets & Road Maintenance	Prior Years	541,822	241,490	3,860	237,630
			<u>\$ 1,928,831</u>	<u>\$1,476,147</u>	<u>\$ 3,860</u>	<u>\$ 1,624,639</u>

* During the fiscal year ended June 30, 2020, the Town incurred \$254,770 of TDA Article 3 expenditures, \$91,000 of the expenditures are to be reimbursed by SBCTA for the Civic Center Pedestrian Access/Highway South Sidewalk Project under the Article 3 program. The remaining \$163,770 represent expenditures for the same project, which were funded by the Measure I 2010-2040 Fund, as the project is also part to the Town's Measure I Five-Year Capital Improvement Plan.



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* and *Transportation Development Act Compliance Requirements*

To the Board of Directors
San Bernardino County Transportation Authority
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Article 3 and Article 8 Fund (TDA Funds) of the Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2020 and the related notes to the financial statements and have issued our report thereon dated December 28, 2020. Our report included an emphasis of matter stating that the financial statements of the TDA Funds do not purport to, and do not, present fairly the financial position of the Town as of June 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered internal control over financial reporting of the TDA Funds (internal control) as the basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of 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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Funds are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the San Bernardino County Transportation Authority (SBCTA) noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6666 of Part 21 of the California Code of Regulations and the allocation instructions of the SBCTA.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 28, 2020



**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
California Government Code §8879.50**

The Board of Directors
Mountain Area Regional Transit Authority
Big Bear Lake, 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 Mountain Area Regional Transit Authority (MARTA) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the MARTA's basic financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MARTA's internal control over financial reporting (internal control) 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 MARTA's internal control. Accordingly, we do not express an opinion on the effectiveness of MARTA'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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MARTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the applicable provisions of Section 6667 of Title 21 of the California Code of Regulations and the allocation instructions of San Bernardino County Transportation Authority (SBCTA), and California Government Code §8879.50 et seq., noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6667 of Title 21 of the California Code of Regulations, or the California Government Code §8879.50 et seq., and the allocation instructions of SBCTA.

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 MARTA'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 MARTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 18, 2020



December 18, 2020

To the Board of Directors
Mountain Area Regional Transit Authority
Big Bear Lake, California

We have audited the financial statements of the Mountain Area Regional Transit Authority (MARTA) as of and for the year ended June 30, 2020 and have issued our report thereon dated December 18, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated April 27, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of MARTA solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated December 18, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by MARTA is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimates of the depreciation of capital assets, which was based upon the estimated useful lives of the related capital assets.

We evaluated the key factors and assumptions used to develop the estimates noted above and determined that they were reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

The Financial Statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Prepaid expenses were overstated by \$21,132 due to an inaccurate accrual entry.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to MARTA's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 18, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with MARTA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as MARTA's auditors.

This report is intended solely for the information and use of the Board of Directors and management of MARTA and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California