Support Material Agenda Item No. 3

Board of Directors Meeting

May 3, 2023
10:15 AM

Location:
San Bernardino County Transportation Authority
First Floor Lobby Board Room
Santa Fe Depot, 1170 W. 3rd Street
San Bernardino, CA 92410

CONSENT CALENDAR

Administrative Matters

3. Transit Operators and Transportation Development Act Audits for Fiscal Year 2021/2022

Review and receive the Transit Operators and Transportation Development Act Audit Reports for Fiscal Year 2021/2022.

Full financial reports are attached in the order listed below:

- *Town of Apple Valley*
- *City of Barstow*
- *City of Big Bear Lake*
- *City of Chino*
- *City of Fontana*
- *City of Hesperia*
- *City of Highland*
- *MARTA Financial Statements*
- *MARTA GAGAS Report*
- *MARTA CAP*
- *MARTA Governance Letter*
- *MBTA Financial Statements*
- *MBTA Governance Letter*
- *MBTA Single Audit Report*
- *City of Needles*
- *Omnitrans ACFR*
- *Omnitrans Single Audit Report*
- *Omnitrans Prop 1B Final*
- *City of Ontario*
- *City of Rancho Cucamonga*
- *City of Redlands*
- *City of Rialto*
- *San Bernardino County*
- *City of Twentynine Palms*
- *VVTA Financial Statements*
- *VVTA Single Audit Report*
- *City of Yucaipa*
- *Town of Yucca Valley*

Financial Statements
June 30, 2022 and 2021

Town of Apple Valley, California
Transportation Development Act Funds

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Transportation Development Act Article 3 and 8 Funds (TDA Funds) of the Town of Apple Valley, California (Town), as of and for the year ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2023, on our consideration of the Town'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 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.

Eide Bailly LLP

Rancho Cucamonga, California
February 17, 2023

	2022 Article 3	2022 Article 8
Assets		
Cash and investments	$ -	$ 897,966
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ -	$ 784
Fund Balance		
Restricted	-	897,182
Total liabilities and fund balance	$ -	$ 897,966

	2021 Article 3	2021 Article 8
Assets		
Cash and investments	$ -	$ 853,777
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ -	$ 2,886
Fund Balance		
Restricted	-	850,891
Total liabilities and fund balance	$ -	$ 853,777

	2022 Article 3	2022 Article 8
Revenues		
TDA allocation	$ -	$ 30,535
Other revenues	-	29,863
Interest revenue	-	2,664
Total revenues	-	63,062
Expenditures		
Capital		
TDA expenditures	-	16,771
Net Change in Fund Balance	-	46,291
Fund Balance, Beginning of Year	-	850,891
Fund Balance, End of Year	$ -	$ 897,182

	2021 Article 3	2021 Article 8
Revenues		
TDA allocation	$ 281,495	$ 69,312
Interest revenue	-	4,528
Total revenues	281,495	73,840
Expenditures		
Capital		
TDA expenditures	281,495	712,931
Net Change in Fund Balance	-	(639,091)
Fund Balance, Beginning of Year	-	1,489,982
Fund Balance, End of Year	$ -	$ 850,891

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 Apple Valley, California (Town), as of June 30, 2022 and 2021, 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 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

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, town, 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, towns, 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, town, 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.

A. 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.

B. 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.

C. 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.

D. Fund Balances

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 Town considers restricted funds to have been spent first.

E. 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, 2022 and 2021

Town of Apple Valley, California
Transportation Development Act Funds

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ -	$ -	$ -	$ -
Expenditures				
Capital				
TDA expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 335,392	$ 335,392	$ 281,495	$ (53,897)
Expenditures				
Capital				
TDA expenditures	335,392	335,392	281,495	53,897
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 430,965	$ 430,965	$ 30,535	$ (400,430)
Other revenues	-	-	29,863	29,863
Interest revenue	9,000	9,000	2,664	(6,336)
Total revenues	439,965	439,965	63,062	(376,903)
Expenditures				
Capital				
TDA expenditures	436,000	436,000	16,771	419,229
Net Change in Fund Balance	3,965	3,965	46,291	42,326
Fund Balance, Beginning of Year	850,891	850,891	850,891	-
Fund Balance, End of Year	$ 854,856	$ 854,856	$ 897,182	$ 42,326

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 70,000	$ 70,000	$ 69,312	$ (688)
Interest revenue	9,000	9,000	4,528	(4,472)
Total revenues	79,000	79,000	73,840	(5,160)
Expenditures				
Capital				
TDA expenditures	781,103	781,103	712,931	68,172
Net Change in Fund Balance	(702,103)	(702,103)	(639,091)	63,012
Fund Balance, Beginning of Year	1,489,982	1,489,982	1,489,982	-
Fund Balance, End of Year	$ 787,879	$ 787,879	$ 850,891	$ 63,012

See Note to Required Supplementary Information

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. The legal level of budgetary control for the Town is the Fund.

Supplementary Information
June 30, 2022 and 2021

Town of Apple Valley, California
Transportation Development Act Funds

Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2022

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2021	Expenditures	Unspent Allocations at 06/30/2022
Article 3	Bear Valley Road Bridge Connector	2021-22	$ 232,300	$ -	$ -	$ 232,300
Article 3	Village North Pedestrian Improvements	2021-22	361,818	-	-	361,818
Article 3	Bear Valley Road and Navajo Road Turnout	2019-20	53,897	53,897	-	53,897
Article 8	Streets & Road Maintenance	2021-22	30,535	-	-	30,535
Article 8	Streets & Road Maintenance	2020-21	69,312	69,312	-	69,312
Article 8	Streets & Road Maintenance	2019-20	79,095	79,095	-	79,095
Article 8	Streets & Road Maintenance	2018-19	662,418	592,385	16,771	575,614
	Total Allocations		$ 1,489,375	$ 794,689	$ 16,771	$ 1,402,571

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 Town of Apple Valley, California (Town), as of and for the year ended June 30, 2022 and the related notes to the financial statements, and have issued our report thereon dated February 17, 2023. 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Funds of the Town 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 statement. 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.

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 17, 2023

2022-001 **Bank Reconciliations**
Material Weakness

Criteria:

Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Bank reconciliations should be performed monthly, and reviewed and approved in a timely manner.

Condition:

During procedures over cash and investments, we noted the Town's bank reconciliation for June 2022 was not prepared until December 2022. Further, the interest allocation to funds was not performed until December 2022.

Cause:

The Town did not perform a timely bank reconciliation or interest allocation.

Effect:

The audit was delayed.

Recommendation:

We recommend that the Town review the timing of its reconciliation procedures.

View of Responsible Officials:

We agree that bank reconciliation must occur on a more timely basis. We have taken steps to properly train applicable personnel.

None reported.

Financial Statements
June 30, 2022 and 2021

City of Barstow, California
Transportation Development Act Fund

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 28, 2022

	2022 Article 8	2021 Article 8
Assets		
Cash and investments	$ 128,619	$ 73,767
Interest receivable	134	-
Total assets	$ 128,753	$ 73,767
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ -	$ 2,635
Fund Balance		
Restricted	128,753	71,132
Total liabilities and fund balance	$ 128,753	$ 73,767

	2022 Article 8	2021 Article 8
Revenues		
TDA allocation	$ 58,027	$ 15,676
Interest income	(406)	368
Total revenues	57,621	16,044
Other Financing Sources (Uses)		
Transfers to the City of Barstow	-	(386,570)
Net Change in Fund Balance	57,621	(370,526)
Fund Balance, Beginning of Year	71,132	441,658
Fund Balance, End of Year	$ 128,753	$ 71,132

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, 2022 and 2021, and changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A. 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.

E. 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.

Note 3 - Transfers to the City of Barstow

Transfers to the City of Barstow of $0 and $386,570 for the year ended June 30, 2022 and 2021, respectively, represent amounts paid to the City's Capital Improvement Fund to supplement costs incurred for the pavement preservation project.

Required Supplementary Information
June 30, 2022 and 2021

City of Barstow, California
Transportation Development Act Fund

June 30, 2022	Budget Original	Budget Final	Actual	Variance
Revenues				
TDA allocation	$ -	$ 58,027	$ 58,027	$ -
Interest income	-	-	(406)	(406)
Total revenues	-	58,027	57,621	(406)
Other Financing Sources (Uses)				
Transfers to the City of Barstow	-	(59,905)	-	59,905
Net Change in Fund Balance	-	(1,878)	57,621	59,499
Fund Balance, Beginning of Year	71,132	71,132	71,132	-
Fund Balance, End of Year	$ 71,132	$ 69,254	$ 128,753	$ 59,499

June 30, 2021	Budget Original	Budget Final	Actual	Variance
Revenues				
TDA allocation	$ -	$ 15,676	$ 15,676	$ -
Interest income	-	-	368	368
Total revenues	-	15,676	16,044	368
Other Financing Sources (Uses)				
Transfers to the City of Barstow	(446,475)	(446,475)	(386,570)	59,905
Net Change in Fund Balance	(446,475)	(430,799)	(370,526)	60,273
Fund Balance, Beginning of Year	441,658	441,658	441,658	-
Fund Balance, End of Year	$ (4,817)	$ 10,859	$ 71,132	$ 60,273

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 is at the fund level.

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, 2022 and the related notes to the financial statements, and have issued our report thereon dated December 28, 2022. 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on 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, 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 28, 2022

Financial Statements
June 30, 2022 and 2021

City of Big Bear Lake, California
Transportation Development Act Fund

EideBailly®

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

	2022 Article 3	2021 Article 3
Assets		
Cash and investments	$ -	$ 1,101
Due from other governments	175,072	756,184
Total assets	$ 175,072	$ 757,285
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Due to the City of Big Bear Lake	$ 175,074	$ 787,854
Deferred inflows of Resources		
Unavailable revenues	-	756,184
Fund Balance (Deficit)		
Unassigned	(2)	(786,753)
Total liabilities, deferred inflows of resources and fund balance	$ 175,072	$ 757,285

	2022 Article 3	2021 Article 3
Revenues		
TDA allocation	$ 867,894	$ -
Intergovernmental	788,000	-
Total revenues	1,655,894	-
Expenditures		
TDA expenditures	87,000	-
Revenues Over/(Under) Expenditures	1,568,894	-
Other Financing Sources (Uses)		
Transfers to the City of Big Bear Lake	(782,143)	(694,993)
Net Change in Fund Balance	786,751	(694,993)
Fund Balance (Deficit), Beginning of Year	(786,753)	(91,760)
Fund Balance (Deficit), End of Year	$ (2)	$ (786,753)

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, 2022 and 2021, 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 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, 2022 and 2021, the cash balance of the TDA fund is $0 and $1,101, respectively.

The TDA Article 3 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 Measure I Fund's deposits and withdrawals in the City Investment Pool are made on the basis of $1 and not fair value. Accordingly, the TDA Article 3 Fund's investment in the City Investment Pool is measured based on uncategorized inputs 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-unavailable revenues represents and acquisition of net assets that applies to a future period. 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.

F. 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.

Unassigned fund balance represents the excess and residual deficit amounts in the TDA Article 3 fund. When expenditures incurred for specific purposes exceed the amounts restricted, it is necessary to report a negative unassigned fund balance.

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.

Note 3 - Due to the City of Big Bear Lake

Due to the City of Big Bear Lake of $175,074 and $787,854, as of June 30, 2022 and 2021, respectively, 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 $175,072 and $756,184, as of June 30, 2022 and 2021, respectively, represents the TDA revenues which had not been received from SBCTA. The amounts are reflected as deferred inflows of resources and unavailable revenue, as the amounts are not considered available resources.

Note 5 - Intergovernmental Revenue

Intergovernmental revenue represents an Active Transportation Program (ATP) grant in the amount of $788,000 received from the State of California Department of Transportation, to be used for the Alpine Pedal Path Rathburn Creek Extension project. The project incorporates three main funding sources: TDA Article 3 funds, the ATP grant, and Measure Y funds. The project is presented through the TDA Article 3 fund, and as such, the ATP grant is recorded as a revenue to supplement TDA Article 3 monies.

Note 6 - Deficit Fund Balance

The TDA Fund reported a deficit fund balance of $2 and $786,753, as of June 30, 2022 and 2021, respectively. 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, 2022 and 2021

City of Big Bear Lake, California
Transportation Development Act Fund

June 30, 2022	Budget Original	Budget Final	Actual	Variance
Revenues				
TDA allocation	$ 867,894	$ 867,894	$ 867,894	$ -
Intergovernmental	788,000	788,000	788,000	-
Total Revenues	1,655,894	1,655,894	1,655,894	-
Expenditures				
TDA expenditures	87,000	87,000	87,000	-
Revenues Over/(Under) Expenditures	1,568,894	1,568,894	1,568,894	-
Other Financing Sources (Uses)				
Transfers to the City of Big Bear Lake	(782,143)	(782,143)	(782,143)	-
Net Change in Fund Balance	786,751	786,751	786,751	-
Fund Balance (Deficit), Beginning of Year	(786,753)	(786,753)	(786,753)	-
Fund Balance (Deficit), End of Year	$ (2)	$ (2)	$ (2)	$ -

June 30, 2021	Budget Original	Budget Final	Actual	Variance
Revenues				
TDA allocation	$ -	$ 677,455	$ -	$ (677,455)
Other income	-	788,000	-	(788,000)
Total Revenues	-	1,465,455	-	(1,465,455)
Expenditures				
TDA expenditures	-	-	-	-
Revenues Over/(Under) Expenditures	-	1,465,455	-	(1,465,455)
Other Financing Sources (Uses)				
Transfers to the City of Big Bear Lake	-	(694,993)	(694,993)	-
Net Change in Fund Balance	-	770,462	(694,993)	(1,465,455)
Fund Balance (Deficit), Beginning of Year	(91,760)	(91,760)	(91,760)	-
Fund Balance (Deficit), End of Year	$ (91,760)	$ 678,702	$ (786,753)	$ (1,465,455)

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.

Supplementary Information
June 30, 2022 and 2021

City of Big Bear Lake, California
Transportation Development Act Fund

Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2022

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2021	Expenditures	Unspent Allocations at June 30, 2022
Article 3	Lakeside Loop Project	2019-20	$ 200,000	$ 200,000	$ -	$ 200,000
Article 3	Stanfield Cutoff Connectivity Project	2017-18	322,000	(5,859)	(5,857)	(2)
Article 3	Big Bear Blvd Shopping Center	2017-18	87,000	87,000	87,000	-
			$ 609,000	$ 281,141	$ 81,143	$ 199,998
			Non TDA - Funded Expenditures		788,000	
			Total Expenditures		$ 869,143	

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, 2022 and the related notes to the financial statements and have issued our report thereon dated December 22, 2022. 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

Financial Statements
June 30, 2022 and 2021

City of Chino, California
Transportation Development Act Funds

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Correction of Error

As discussed in Note 6 to the financial statements, due to unfavorable outcomes related to litigation of the City's Successor Agency, the City removed the receivable, unavailable revenue, and fund balance associated with the TDA Article 8 fund. Accordingly, a restatement has been made to the TDA Article 8 fund balance as of June 30, 2021. Our opinion is not modified with respect to this matter.

Further, as described in Note 7 to the financial statements, the City identified $31,069 of expenditures reported in the prior year, that should have been reported in a different fund. Accordingly, a restatement has been made to the TDA Article 3 fund balance as of June 30, 2021, to correct the error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2023, 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.

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2023

	2022 Article 3	2022 Article 8
Assets		
Due from other governments	$ 155,951	$ -
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Due to the City of Chino	$ 155,178	$ -
Deferred Inflows of Resources		
Unavailable revenue	$ 155,951	$ -
Fund Balance (Deficit)		
Unassigned	(155,178)	-
Total liabilities, deferred inflows of resources and fund balance	$ 155,951	$ -

Balance Sheets
June 30, 2021, as restated

	2021 Article 3	2021 Article 8
Assets		
Due from other governments	$ 267,557	$ -
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	$ 9,341	$ -
Due to the City of Chino	233,093	-
Total liabilities	242,434	-
Deferred Inflows of Resources		
Unavailable revenue	267,557	-
Fund Balance (Deficit)		
Unassigned	(242,434)	-
Total liabilities, deferred inflows of resources and fund balance	$ 267,557	$ -

	2022 Article 3	2022 Article 8
Revenues		
TDA allocation	$ 81,408	$ -
Expenditures		
Capital		
TDA expenditures	870	-
Excess (Deficiency) of Revenues over Expenditures	80,538	-
Other Financing Sources (Uses)		
Transfers from the City of Chino	6,718	-
Net Change in Fund Balance	87,256	-
Fund Balance (Deficit), Beginning of Year, as restated	(242,434)	-
Fund Balance (Deficit), End of Year	$ (155,178)	$ -

	2021 Article 3	2021 Article 8
Expenditures		
Capital		
TDA expenditures	$ 156,968	$ -
Net Change in Fund Balance	(156,968)	-
Fund Balance (Deficit), Beginning of Year	(85,466)	-
Fund Balance (Deficit), End of Year	$ (242,434)	$ -

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, 2022 and 2021, 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 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.

F. 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.

Unassigned fund balance (deficit) reflect the residual fund balance, after considering other classifications.

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.

Note 3 - Due from Other Governments

Due from Other Governments of $155,951 and $267,557, as of June 30, 2022 and 2021, respectively, represents the TDA revenues which had not been received from SBCTA as of June 30, 2022.

Note 4 - Due to the City of Chino

Due to the City of Chino of $155,178 and $233,093, as of June 30, 2022 and 2021, respectively, 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 - Unavailable Revenues

The deferred inflows of resources – unavailable revenue balance of $155,951 and $267,557, as of June 30, 2022 and 2021, respectively, in Article 3 is related to the revenues earned, but will not be collected by the City within its period of availability.

Note 6 - Contingencies and Restatement

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 provided 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 provided 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) had 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.

Management, in consultation with legal counsel, previously believed that the obligations of the former redevelopment agency due to the City were valid enforceable obligations payable by the successor agency trust under requirements of the Bill. However, during the year, the City lost an appeal, and has subsequently removed the receivables due from the City's Successor Agency, as they were not allowed as enforceable obligations per the ruling.

As a result, the City has restated the TDA Article 8 fund balance as of June 30, 2021, due to the ruling disallowing repayment of amounts due to the City's fund from the Successor Agency:

TDA Funds	June 30, 2021 Previously Presented	Restatement	July 1, 2021 Restated
Article 8			
Notes receivable	$ 319,430	$ (319,430)	$ -
Unavailable revenue	203,160	(203,160)	-
Restricted fund balance	116,270	(116,270)	-

The restatement had no impact on June 30, 2021 statement of revenues, expenditures and changes in fund balance.

Note 7 - TDA 3 Fund Restatement

The City restated fund balance as of July 1, 2021 for the TDA 3 fund to properly reflect beginning fund balance due to the identification of $31,069 of expenditures that was incorrectly charged to the fund. The following table describes the effects of the restatement on balance sheets in the TDA 3 fund as of June 30, 2021:

TDA Funds	June 30, 2021 Previously Presented	Restatement	July 1, 2021 Restated
Article 3			
Due to the City of Chino	$ 264,162	$ (31,069)	$ 233,093
Unassigned fund balance (deficit)	(273,503)	31,069	(242,434)

Additionally, the effect of the restatement on the statement of revenues, expenditures and changes in fund balance as of June 30, 2021 is shown below:

TDA Funds	June 30, 2021 Previously Presented	Restatement	July 1, 2021 Restated
Article 3			
TDA expenditures	$ 188,037	$ (31,069)	$ 156,968
Net change in fund balance	(188,037)	31,069	(156,968)
Unassigned fund balance (deficit), end of year	(273,503)	31,069	(242,434)

Note 8 - Deficit Fund Balance

The TDA Article 3 Fund reported a deficit fund balance of $155,178 and $242,434, as of June 30, 2022, and 2021, respectively. 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, 2022 and 2021

City of Chino, California
Transportation Development Act Funds

June 30, 2022	Budget Original	Budget Final	Actual	Variance
Revenues				
TDA allocation	$ 353,081	$ 440,081	$ 81,408	(358,673)
Expenditures				
Capital				
TDA expenditures	240,605	240,605	870	239,735
Excess (Deficiency) of Revenues over Expenditures	112,476	199,476	80,538	(118,938)
Other Financing Sources (Uses)				
Transfers from the City of Chino	-	-	6,718	6,718
Net Change in Fund Balance	112,476	199,476	87,256	(112,220)
Fund Balance (Deficit), Beginning of Year	(242,434)	(242,434)	(242,434)	-
Fund Balance (Deficit), End of Year	$ (129,958)	$ (42,958)	$ (155,178)	$ (112,220)

June 30, 2021	Budget Original	Budget Final	Actual	Variance
Revenues				
TDA allocation	$ 567,729	$ 567,729	$ -	$ (567,729)
Investment income	2,538	2,538	-	(2,538)
Total revenues	570,267	570,267	-	(570,267)
Expenditures				
Capital				
TDA expenditures	481,490	481,490	156,968	324,522
Net Change in Fund Balance	88,777	88,777	(156,968)	(245,745)
Fund Balance (Deficit), Beginning of Year	(85,466)	(85,466)	(85,466)	-
Fund Balance (Deficit), End of Year	$ 3,311	$ 3,311	$ (242,434)	$ (245,745)

See Note to Required Supplementary Information.

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 budgetary control is at the fund level.

The City did not adopt an annual budget for TDA Article 8 Fund for fiscal years 2021-2022 and 2020-2021.

Supplementary Information
June 30, 2022 and 2021

City of Chino, California
Transportation Development Act Funds

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations June 30, 2021	Expenditures	Unspent Allocations June 30, 2022
Article 3	Central/7th St Sidewalk Improvements - G7024*	2013-14	$ 127,648	$ (6,718)	$ (6,718)	$ -
Article 3	Bicycle and Pedestrian Grant- G7802*	2017-18	353,081	240,605	(31,069)	271,674
Article 3	Transit Improvement Grant - G7803	2017-18	87,000	59,567	870	58,697
			$ 567,729	$ 293,454	$ (36,917)	$ 330,371

Total from above	$ (36,917)
Transfers In*	6,718
Restatement*	31,069
Total expenditures	$ 870

* During the fiscal year ended June 30, 2021, the City incurred $6,718 of TDA Article 3 expenditures for the Central/7th Street Sidewalk Improvements Project, however in the current year, the City transferred funds into the TDA fund to reimburse the fund and apply for an alternative funding source. As such, these are shown as negative in the table.

For the Bicycle and Pedestrian Grant, as described in Note 7 to the financial statements, the City identified $31,069 of costs that were expensed in the fund in the previous year, but should have been paid by a different fund. To correct this error, a restatement was posted to the fund, and expenditures reversed from the project. As such, these are shown as negative in the table.

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 years ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated February 16, 2023. 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, 2022 and June 30, 2021. Our report also included an emphasis of matter regarding the restatement of the TDA Funds.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be a material weakness

Report on 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.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2023

2022-001 **Restatement of TDA 3 and TDA 8 funds and other Closing Procedures**
Material Weakness

Criteria:

Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Expenditures should be identified and recognized during the period incurred, and within the proper fund. Revenues and expenditures should be captured in the proper reporting period and fund, to ensure accuracy of financial information. Activity between the TDA fund and other funds of the City should be evaluated for proper reflection in TDA Fund-only financial statements.

Condition:

The City has restated fund balance as of July 1, 2021 to properly reflect beginning fund balance as a result of the following:

- The City restated fund balance for the TDA 3 fund due to the identification of $31,069 of expenditures that was incorrectly charged to the fund, but should have been reported in a different fund.
- The City restated the TDA 8 fund to remove the receivables and related deferred inflow of resources (unavailable revenue) from the City's Successor Agency, due to the loss an of an appeal.

During the audit, we also proposed adjustments to the TDA 3 fund as described below:

- Reclassification of $155,178 of negative cash to Due to the City of Chino
- Reclassification of $6,718 from expenditures (negative) to Transfers in from the City of Chino

Cause:

The City's closing procedures did not allow for TDA 3 expenditures to be reflected in the proper fund during the proper period. Further, adjustments were posted to properly reflect cash and other transfers from the City.

Effect:

Adjustments were proposed and posted, and the fund financial statements were restated to reflect the expenditures in the proper period. For the TDA 8 fund, restatement was necessary to ensure fund financial statements were consistent with City records.

Recommendation:

We recommend that the City enhance its closing process to ensure that expenditures are reported in the proper fund, and closing adjustments or restatements are avoided.

Views of Responsible Officials:

We concur and will evaluate our procedures to prevent any of these occurrences in the future.

None reported.

Financial Statements
June 30, 2022 and 2021

City of Fontana, California
Transportation Development Act Fund

Table of Contents

June 30, 2022 and 2021

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Transportation Development Act Article 3 Fund (TDA Fund) of the City of Fontana, California (City), as of and for the years ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, 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.

Eide Bailly LLP

Rancho Cucamonga, California
March 31, 2023

Balance Sheets
June 30, 2022 and 2021

	2022 Article 3	2021 Article 3
Assets		
Due from other governments	$ 8,978	$ 77,577
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	$ 7,064	$ 3,460
Due to the City of Fontana	1,914	74,117
Total liabilities	8,978	77,577
Deferred inflows of resources		
Unavailable revenue	8,978	77,577
Fund Balance (deficit)		
Unassigned	(8,978)	(77,577)
Total liabilities, deferred inflows of resources and fund balance	$ 8,978	$ 77,577

	2022 Article 3	2021 Article 3
Revenues		
TDA allocation	$ 83,523	$ 22,534
Expenditures		
Current		
TDA expenditures	14,924	51,411
Net Change in Fund Balance	68,599	(28,877)
Fund Balance, Beginning of Year	(77,577)	(48,700)
Fund Balance, End of Year	$ (8,978)	$ (77,577)

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 Fontana, California (City), as of June 30, 2022 and 2021, and changes in financial position thereof for the years 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. Article 3 TDA 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 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 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 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 unavailable revenues represents revenues earned during the period but unavailable to liquidate current liabilities. These amounts are deferred and recognized as revenues in the period that the amounts become available.

F. 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.

Note 3 - Due from Other Governments

Due from Other Governments of $8,978 and $77,577 represents the TDA allocations which had not been received from SBCTA as of June 30, 2022 and June 30, 2021, respectively.

Note 4 - Due to the City of Fontana

Due to the City of Fontana of $1,914 and $74,117 represents the amounts paid by the City on behalf of the TDA Fund as of June 30, 2022 and June 30, 2021, respectively. The balance will be repaid as the TDA allocations are received.

Note 5 - Deficit Fund Balance

The TDA Fund reported a deficit fund balance of $8,978 as of June 30, 2022 and $77,577 as of June 30, 2021. 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, 2022 and 2021

City of Fontana, California
Transportation Development Act Fund

June 30, 2022	Budget			Variance from Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
TDA allocation	$ -	$ 345,973	$ 83,523	$ (262,450)
Expenditures				
Current				
TDA expenditures	-	345,973	14,924	331,049
Net Change in Fund Balance	-	-	68,599	68,599
Fund Balance, Beginning of Year	(77,577)	(77,577)	(77,577)	-
Fund Balance, End of Year	$ (77,577)	$ (77,577)	$ (8,978)	$ 68,599

June 30, 2021	Budget			Variance from Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
TDA allocation	$ 22,534	$ 22,534	$ 22,534	$ -
Expenditures				
Current				
TDA expenditures	51,411	51,411	51,411	-
Net Change in Fund Balance	(28,877)	(28,877)	(28,877)	-
Fund Balance, Beginning of Year	(48,700)	(48,700)	(48,700)	-
Fund Balance, End of Year	$ (77,577)	$ (77,577)	$ (77,577)	$ -

See Note to Required Supplementary Information.

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 is at the fund level.

Supplementary Information
June 30, 2022 and 2021

City of Fontana, California
Transportation Development Act Fund

Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2022

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations June 30, 2021	Expenditures	Unspent Allocations June 30, 2022
Article 3	City-wide Bus Stop Improvements	2015-16	40,872	$ 17,654	$ -	$ 17,654
Article 3	Bike and Ped Route Maintenance AB Miller HS	2017-18	50,000	13,292	-	13,292
Article 3	Alder Middle Schools SRTS Project	2017-18	250,000	166,135	7,860	158,275
Article 3	Bus Stops Improvements TDA	2017-18	35,000	2,740	-	2,740
Article 3	Kathy Binks Elem. Sch. SRTS TDA 21	2021-22	160,000	-	7,064	152,936
Article 3	Transit Stops Improvements TDA 2021	2021-22	37,580	-	-	37,580
	Total		$ 573,452	$ 199,821	$ 14,924	$ 382,477

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 Fontana, California (City), as of and for the year ended June 30, 2022 and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023. Our report included an emphasis of matter 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, 2022.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be a material weakness.

Report on 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.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
March 31, 2023

2022-001 Expenditure Accrual
Material Weakness

Criteria:

Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Expenditures should be identified and recognized during the period incurred, and accruals posted to general ledger when applicable.

Condition:

During procedures over accounts payable and related disbursements, we noted a disbursement in the amount of $7,064, which related to April, May, and June 2022, but was not recorded during the fiscal year. As a result, we proposed an adjustment to increase expenditures and related accounts payable, to include this disbursement in the activity of the fund.

Cause:

The City did not properly reflect the expenditures, or verify the cutoff, for the year.

Effect:

The adjustment was proposed and posted to the City fund's financials statements in the amount of $7,064.

Recommendation:

We recommend that the City enhance its closing process to ensure that expenditures and related accruals are recorded in the proper fiscal year.

View of Responsible Officials:

Management acknowledges the importance of accurately reflecting expenditures in the correct fiscal year. The City's fiscal year-end closing process for June 30, 2021, was significantly delayed, which was directly related to inadequate available staffing resources mainly due to staff turnover. This also impacted the fiscal year end closing process for June 30, 2022, which includes the accrual periods. During fiscal year 2022-23, the Accounting Department has filled 3 additional accountant level (or above) positions which will allow the city to meet closing entries, perform a more thorough review of transactions, and mitigate/minimize errors.

Financial Statements
June 30, 2022 and 2021

City of Hesperia, California
Transportation Development Act Fund

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Transportation Development Act Article 8 Fund (TDA Fund) of the City of Hesperia, California (City), as of and for the year ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, 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 Funds.

Eide Bailly LLP

Rancho Cucamonga, California
December 21, 2022

	2022	2021
Assets		
Cash and investments	$ 2,239,328	$ 2,254,193
Due from other governments	-	71
Interest receivable	3,965	1,581
Total assets	$ 2,243,293	$ 2,255,845
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ 1,147	$ 25,000
Fund Balance		
Restricted	2,242,146	2,230,845
Total liabilities and fund balance	$ 2,243,293	$ 2,255,845

Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2022 and 2021

	2022	2021
Revenues		
TDA allocation	$ 82,465	$ 541,581
Interest income	8,124	10,145
Gain/ (Loss) on fair market value	(28,468)	-
Total revenues	62,121	551,726
Expenditures		
Current		
TDA expenditures	5,598	25,000
Revenues Over/(Under) Expenditures	56,523	526,726
Other Financing Sources (Uses)		
Transfers to the City of Hesperia	(45,222)	-
Transfers in from the City of Hesperia	-	71
Total other financing sources (uses)	(45,222)	71
Net Change in Fund Balance	11,301	526,797
Fund Balance, Beginning of Year	2,230,845	1,704,048
Fund Balance, End of Year	$ 2,242,146	$ 2,230,845

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 (TDA Fund) 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, 2022 and 2021, 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 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 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:

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.

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 60 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 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 Investment Pool are made on the basis of $1 and not fair value. Accordingly, the TDA Fund's 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 - Transfers to the City of Hesperia

Transfers to the City of Hesperia of $45,222 for the year ended June 30, 2022, represents amounts used to cover expenditures related to the Willow Street Paseo Project.

Note 4 - Transfers in from the City of Hesperia

Transfers from the City of Hesperia of $71 for the year ended June 30, 2021, represents the amounts to be reimbursed by the TDA Article 8 fund from the City-Wide Projects Fund (504) for expenditures associated with the I Ave Corridor Study (CO7151), a project on the City's FY20-21 Five-Year Capital Improvement Plan, as a result of the identification of an alternative funding source for the referenced expenditures.

Required Supplementary Information
June 30, 2022 and 2021

City of Hesperia, California
Transportation Development Act Fund

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 871,265	$ 871,265	$ 82,465	$ (788,800)
Interest income	8,250	8,250	8,124	(126)
Gain/ (Loss) on fair maket value	-	-	(28,468)	(28,468)
Total revenues	879,515	879,515	62,121	(817,394)
Expenditures				
Current				
TDA expenditures	457,000	457,000	5,598	451,402
Excess of Revenues Over Expenditures	422,515	422,515	56,523	(365,992)
Other Financing Sources (Uses)				
Transfers to the City of Hesperia	-	-	(45,222)	(45,222)
Net Change in Fund Balance	422,515	422,515	11,301	(411,214)
Fund Balance, Beginning of Year	2,230,845	2,230,845	2,230,845	-
Fund Balance, End of Year	$ 2,653,360	$ 2,653,360	$ 2,242,146	$ (411,214)

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 541,581	$ 541,581	$ 541,581	$ -
Interest income	21,730	21,730	10,145	(11,585)
Total revenues	563,311	563,311	551,726	(11,585)
Expenditures				
Current				
TDA expenditures	-	25,000	25,000	-
Excess of Revenues Over Expenditures	563,311	538,311	526,726	(11,585)
Other Financing Sources (Uses)				
Transfers to the City of Hesperia	-	-	71	71
Net Change in Fund Balance	563,311	538,311	526,797	(11,514)
Fund Balance, Beginning of Year	1,704,048	1,704,048	1,704,048	-
Fund Balance, End of Year	$ 2,267,359	$ 2,242,359	$ 2,230,845	$ (11,514)

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 Transfers to the City of Hesperia expenditures exceeded the budgeted expenditures by $45,222 for the year ended June 30, 2022, but was within the overall TDA expenditure budget authority.

Supplementary Information
June 30, 2022 and 2021

City of Hesperia, California
Transportation Development Act Fund

City of Hesperia, California
Transportation Development Act Fund
Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2022

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2021	Expenditures	Unspent Allocations at 06/30/2022
Article 8	Streets & Road Maintenance	2021-22	$ 82,465	$ -	$ -	$ 82,465
Article 8	Streets & Road Maintenance	2020-21	541,581	541,581	-	541,581
Article 8	Streets & Road Maintenance	2019-20	807,864	807,864	-	807,864
Article 8	Streets & Road Maintenance - Ranchero Rd & Willow Paseo Project	2018-19	2,281,415	665,092	50,820	614,272
	Article 8 total		$ 3,713,325	$ 2,014,537	$ 50,820	$ 2,046,182

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 Hesperia, California (City), as of and for the years ended June 30, 2022 and June 30, 2021 and the related notes to the financial statements and have issued our report thereon dated December 21, 2022. 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, 2022 and June 30, 2021.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 21, 2022

Financial Statements
June 30, 2022 and 2021

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 Audit of the Financial Statements

Opinion

We have audited 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, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only TDA Fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 21, 2022

	2022 Article 3	2021 Article 3
Assets		
Due from other governments	$ 92,655	$ 74,566
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	$ 7,066	$ 21,701
Due to the City of Highland	85,589	52,865
Total liabilities	92,655	74,566
Deferred Inflows of Resources		
Unavailable revenue	83,030	74,566
Fund Balance (Deficit)		
Unassigned	(83,030)	(74,566)
Total liabilities, deferred inflows of resources and fund balance	$ 92,655	$ 74,566

	2022 Article 3	2021 Article 3
Revenues		
TDA allocation	$ 37,087	$ 186,810
Expenditures		
Capital		
TDA expenditures	45,551	133,701
Net Change in Fund Balance	(8,464)	53,109
Fund Balance (Deficit), Beginning of Year	(74,566)	(127,675)
Fund Balance (Deficit), End of Year	$ (83,030)	$ (74,566)

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, 2022 and 2021, 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 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 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, 2022 and 2021, 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 represent an acquisition of net asset that applies to a future period. 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.

F. 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.

Unassigned fund balance represents the excess and residual deficit amounts in the TDA Article 3 fund. When expenditures incurred for specific purposes exceed the amounts restricted, it is necessary to report a negative unassigned fund balance.

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.

Note 3 - Due to the City of Highland

Due to the City of Highland of $85,589 and $52,865 as of June 30, 2022 and 2021, respectively, 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 $92,655 and $74,566 as of June 30, 2022 and 2021, respectively, represents the TDA allocations which had not been received from SBCTA as of the end of the fiscal year June 30, 2022. $83,030 and $74,566 were also included in unavailable revenue as of June 30, 2022 and 2021, respectively, 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 $83,030 and $74,566 as of June 30, 2022 and 2021, respectively. 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, 2022 and 2021

City of Highland, California
Transportation Development Act Fund

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June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 286,000	$ 286,000	$ 37,087	$ (248,913)
Expenditures				
Capital				
TDA expenditures	286,000	286,000	45,551	240,449
Net Change in Fund Balance	-	-	(8,464)	(8,464)
Fund Balance (Deficit), Beginning of Year	(74,566)	(74,566)	(74,566)	-
Fund Balance (Deficit), End of Year	$ (74,566)	$ (74,566)	$ (83,030)	$ (8,464)

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 283,000	$ 283,000	$ 186,810	$ (96,190)
Expenditures				
Capital				
TDA expenditures	283,000	283,000	133,701	149,299
Net Change in Fund Balance	-	-	53,109	53,109
Fund Balance (Deficit), Beginning of Year	(127,675)	(127,675)	(127,675)	-
Fund Balance (Deficit), End of Year	$ (127,675)	$ (127,675)	$ (74,566)	$ 53,109

See Note to Required Supplementary Information

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 is at the Fund level.

Supplementary Information
June 30, 2022 and 2021

City of Highland, California
Transportation Development Act Fund

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2021	Expenditures	Unspent Allocations at 06/30/2022
Article 3	9th St (Side walk & Bike DE)	2019-20	$ 67,436	$ 29,494	$ 2,965	$ 26,529
Article 3	Base Line/Boulder/9th/Olive Tree Lane (Transit Access)	2019-20	53,897	44,736	464	44,272
Article 3	Highland/Redlands Regional Connector	2015-16	702,562	48,946	15,074	33,872
Article 3	Water Street Bicycle and Pedestrian	2015-16	95,420	32,504	-	32,504
Article 3	City Creek/Alabama Bikeways	2017-18	371,546	125,368	20,913	104,455
Article 3	Construction of New Sidewalks to Bus Stops Messina St/Seine Ave Sidewalk Gap	2020-21	77,989	77,989	6,135	71,854
	Total allocations		$ 1,368,850	$ 359,037	$ 45,551	$ 313,486

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:

Projects	Amounts
Highland/Redlands Regional Connector	$ 15,074
Alabama St/City Creek Bikeways	20,913
9th St Transit Stop, Sidewalk & Bikeway	2,965
9th St/Base Line/Boulder/Olive/ADA Art 3	464
Messina St & Seine Ave Sidwalk Gap	6,135

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 years ended June 30, 2022 and the related notes to the financial statements and have issued our report thereon dated December 21, 2022. 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 21, 2022

Financial Statements
June 30, 2022

Mountain Area Regional Transit Authority

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Mountain Area Regional Transit Authority (MARTA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the MARTA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position MARTA, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MARTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

Correction of Error
As discussed in Note 12 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for operating grants receivable and revenues as of June 30, 2021, were discovered by management of MARTA during the current year. Accordingly, a restatement has been made to net position as of June 30, 2021, to correct the error. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Standard
As discussed in Note 2 to the financial statements, MARTA has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MARTA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MARTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MARTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

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 February 17, 2023, 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.

Eide Bailly LLP

Rancho Cucamonga, California
February 17, 2023

Assets	
Current	
Cash and cash equivalents	$ 1,671,413
Restricted cash and cash equivalents	388,518
Accounts receivable	28,279
Operating grants receivable	529,930
Capital grants receivable	78,590
Prepaid expenses	47,998
Total current assets	2,744,728
Noncurrent	
Capital assets, net of accumulated depreciation	5,574,758
Right to use leased assets, net of accumulated amortization	29,465
Total assets	8,348,951
Liabilities	
Current	
Accounts payable	149,625
Accrued liabilities	95,948
Leases	6,087
Compensated absences	48,931
Unearned revenue	388,518
Total current liabilities	689,109
Noncurrent	
Leases	23,574
Compensated absences	48,931
Total noncurrent liabilities	72,505
Total liabilities	761,614
Net Position	
Net investment in capital assets	5,574,562
Unrestricted	2,012,775
Total net position	$ 7,587,337

Operating revenues	
Fares	$ 1,123,166
Operating expenses	
Operations	2,729,178
Maintenance	689,509
General and administration	1,872,264
Depreciation and amortization expense	683,518
Total operating expense	5,974,469
Operating (loss)	(4,851,303)
Non-operating revenues and expenses	
Operating assistance	
Federal transit administration section 5311	516,561
Local transportation fund article 4	3,112,168
Measure I	143,583
Interest income	955
Interest expense	(750)
Reimbursements	21,800
Gain on disposal of assets	4,671
Other	17,378
Debt service	
Principle	(2,521)
Interest	(381)
Total non-operating revenues (expenses)	3,813,464
Income (loss) before capital contributions	(1,037,839)
Capital contributions	
PTMISEA - capital	377,517
STAF - capital	93,987
SGR - capital	272,090
LTF - capital	340,490
LCTOP- capital	111,433
County/local- capital	87,000
Total capital contributions	1,282,517
Change in Net Position	244,678
Net Position, Beginning of Year (as restated)	7,342,659
Net Position, End of Year	$ 7,587,337

Operating Activities	
Cash received from fares	$ 1,119,309
Cash received from advertising	17,378
Payments to employees	(3,537,563)
Payments to vendors for services	(1,627,296)
Net Cash Used in Operating Activities	(4,028,172)
Non-Capital Financing Activities	
Operating grants received	4,412,437
Net Cash Provided by Non-Capital Financing Activities	4,412,437
Capital and Financing Activities	
Capital grants received	645,354
Purchase of capital assets	(1,438,033)
Sale of capital assets	7,827
Cash paid for lease liabilities - principal portion	(2,521)
Cash paid for lease liabilities - interest portion	(381)
Net Cash Used in Capital and Financing Activities	(787,754)
Investing Activities	
Investment income	955
Interest expense	(750)
Bank reimbursements	21,800
Net Cash Provided by Investing Activities	22,005
Net Decrease in Cash and Cash Equivalents	(381,484)
Cash and Cash Equivalents, Beginning of Year	2,441,415
Cash and Cash Equivalents, End of Year	$ 2,059,931
Reconciliation of Operating (Loss) to Net Cash used in Operating Activities	
Operating loss	$ (4,851,303)
Adjustments to Reconcile Operating (Loss) to Net Cash used in Operating Activities	
Depreciation expense and amortization	683,518
Miscellaneous revenues	17,378
Changes in Assets and Liabilities	
(Increase) Decrease in Assets	
Accounts receivable	(3,857)
Prepaid expenses	27,811
Increase (Decrease) in Liabilities	
Accounts payable	56,614
Accrued liabilities	32,896
Compensated absences	8,771
Total adjustments	823,131
Net Cash used in Operating Activities	$ (4,028,172)
Schedule of Non-Cash Investing, Capital and Financing Activities	
Lease liability for acquisition of a right to use leased asset	$ 32,182

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.

Restricted and Unrestricted Resources - 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 for capital assets and right to use leased assets. 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.

Right to use leased assets are recognized at the lease commencement date and represent MARTA's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term duration or useful live of the underlying asset using the straight-line method.

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.

Lease Lability – Lease liabilities represent MARTA's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a rate stated within each lease agreement.

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

- Net 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.

Implementation of GASB Statement No. 87 – As of July 1, 2021, MARTA adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The additional disclosures required by this standard are included in Notes 6 and 7.

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

Current Accounting Pronouncements

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. The effects of this statement is disclosed in Note 6 and Note 7.

Effective in Future Fiscal Years

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. Or 2022-2023 fiscal year. MARTA has not determined the effects 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 to 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 effects 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 effects of this Statement.

GASB Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to extension of the use of the London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statements No. 53 and No. 63 are effective upon issuance. The requirements of this Statement related to leases, Public-Private and Public-Public Partnerships (PPPs), and Subscription-Based Information Technology Arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements of this Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. MARTA has not determined the effects of this Statement.

GASB Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. MARTA has not determined the effects of this Statement.

GASB Statement No. 101 – In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. MARTA has not determined the effects of this Statement.

Note 3 - Federal, State, and Local Grants

Federal Assistance

MARTA receives allocated Federal operating funds pursuant to Section 5311 of the Federal Transit Act of 1964. Such funds are apportioned to the County of San Bernardino and are allocated to MARTA by the San Bernardino Transportation Authority (SBCTA). Expenditures of Federal 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 $516,561.

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.

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, 2021	$ -	$ 1,253,980	$ 1,253,980
Gross receipts			
State Transportation Fund, Article 4	-	93,987	93,987
Local Transportation Fund, Article 4	2,617,073	215,540	2,832,613
Federal Transportation Admin, Section 5311	516,561	-	516,561
Interest income	-	793	793
Fares	1,123,166	-	1,123,166
LCTOP	-	57,034	57,034
State of good repair	-	101,699	101,699
Other	-	87,000	87,000
Total gross receipts	4,256,800	556,053	4,812,853
Operating expenses, less depreciation	(5,282,890)	(8,061)	(5,290,951)
Capital acquisitions	(24,579)	(1,413,454)	(1,438,033)
Receipts over (under) expenses in current period	(1,050,669)	(865,462)	(1,916,131)
Amount unearned at June 30, 2022	$ -	$ 388,518	$ 388,518

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.

The fare ratio as of June 30, 2022, is calculated as follows:

Operating expenses	$ 5,974,469
Less depreciation	(683,518)
Adjusted operating expenses	$ 5,290,951
Fare revenue	$ 1,123,166
Fare ratio	21.23%

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, 2021	$ 786,649
Prop 1B interest earned during fiscal year ended June 30, 2022	387
Prop 1B expenses incurred during fiscal year ended June 30, 2022	(693,578)
Unearned Balance, June 30, 2022	$ 93,458

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 held in restricted accounts as of June 30, 2022 was $90,113.

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 total held in restricted accounts as of June 30, 2022 was $153,835.

Note 4 - Cash and Cash Equivalents

Deposits as of June 30, 2022, consist of the following:

Demand accounts	$ 2,058,086
Undeposited funds	1,845
Total	$ 2,059,931

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 deposit 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, 2022, $1,690,331 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.

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, is as follows:

	Beginning Balance July 1, 2021	Additions	Deletions	Ending Balance June 30, 2022
Nondepreciable assets				
Land	$ 542,457	$ -	$ -	$ 542,457
Construction in progress	2,281,470	869,332	(794,037)	2,356,765
Total nondepreciable assets	2,823,927	869,332	(794,037)	2,899,222
Depreciable assets				
Buildings and improvements	2,172,453	57,831	(2,864)	2,227,420
Passenger facilities	161,724	570,477	-	732,201
Shop, office and other equipment	5,211,260	734,430	(235,206)	5,710,484
Total depreciable assets	7,545,437	1,362,738	(238,070)	8,670,105
Accumulated depreciation				
Buildings and improvements	(1,762,618)	(63,616)	175	(1,826,059)
Passenger facilities	(113,860)	(45,865)	-	(159,725)
Shop, office and other equipment	(3,669,683)	(571,320)	232,218	(4,008,785)
Total accumulated depreciation	(5,546,161)	(680,801)	232,393	(5,994,569)
Capital assets, net	4,823,203	1,551,269	(799,714)	5,574,758
Right to use leased assets being amortized				
Right to use leased equipment	-	32,182	-	32,182
Less accumulated amortization for				
Right to use leased equipment	-	(2,717)	-	(2,717)
Net right to use leased assets	-	29,465	-	29,465
Total capital assets, net	$ 4,823,203	$ 1,580,734	$ (799,714)	$ 5,604,223

Note 6 - Leases

MARTA has entered into two lease agreements for office equipment. MARTA is required to make principal and interest payments through November 2026 and April 2027. The lease liabilities were valued using a discount rate of 3%, as stated in each lease agreement. The total amount of right to use leased assets and the related accumulated amortization on right to use leased assets were $32,182 and $2,717, as of June 30, 2022, respectively.

Note 7 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2022, are as follows:

	Balance at July 01, 2021	Additions	Deletions	Balance at June 30, 2022	Due within One Year
Compensated absence	$ 89,091	$ 94,631	$ (85,860)	$ 97,862	$ 48,931
Leases	-	32,182	(2,521)	29,661	6,087
	$ 89,091	$ 126,813	$ (88,381)	$ 127,523	$ 55,018

Remaining principal and interest payments on the leases are as follows:

Year Ended June 30,	Principle	Interest	Total
2023	$ 6,087	$ 789	$ 6,876
2024	6,333	604	6,937
2025	6,524	414	6,938
2026	6,720	216	6,936
2027	3,997	11	4,008
Total	$ 29,661	$ 2,034	$ 31,695

Note 8 - Risk Management

MARTA is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 123 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. As of June 30, 2022, the retrospective adjustment calculation resulted in a cumulative payable of $5,440 to be applied in fiscal year 2022. 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.

Primary Liability Program – 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 $100,000 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 $100,000 to $500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from $500,000 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 $50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Addition information concerning the coverage structure is available on the Authority's 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 $75,000 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 $75,000 to $200,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from $200,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2021-22 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 $250,000 deductible. The Authority has an aggregate limit of $20 million.

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 $1,883,678. 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 $613,100. 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.

Note 9 - 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 10 - 401(a) Retirement Plan

MARTA administers a defined contribution pension plan, the MARTA 401(a) Plan (Plan), which is available to non-represented 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 $36,272 during the fiscal year ended June 30, 2022.

Note 11 - Line of Credit

MARTA has an unsecured line of credit with First Foundation Bank. As of June 30, 2022, the amount available on the line credit was $250,000. The line of credit has a maturity date of April 5, 2022. Upon drawing on the line of credit, MARTA will pay regular monthly payments of all accrued interest. The interest rate is variable at 5.25 percent as of June 30, 2022. No amounts were outstanding on the line of credit as of June 30, 2022 and MARTA did not make any withdrawals on the line of credit during the fiscal year.

Note 12 - Prior Period Adjustment

MARTA has restated net position as of July 1, 2021 to properly reflect beginning net position as a result of an erroneous accrual entry. The restatement is summarized as follows:

	June 30, 2021 Previously Presented	Restatement	July 1, 2021 Restated
Operating grant receivable	$ 1,467,820	$ (297,765)	$ 1,170,055
Operating assistance			
Federal transit administration section 5311	1,177,179	(297,765)	879,414
Net position, Beginning of Year	7,640,424	(297,765)	7,342,659

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 Section 8879.50

To the Board of Directors
Mountain Area Regional Transit Authority
Big Bear Lake, 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Mountain Area Regional Transit Authority (MARTA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements and have issued our report thereon dated February 17, 2023. Our report included an emphasis of matter paragraph regarding MARTA's adoption of Governmental Accounting Standards Board Statement No. 87, *Leases*, effective July 1, 2021 as well as a paragraph related to MARTA's restatement of net position as of July 1, 2021.

Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses 2022-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-002 to be a significant deficiency.

Report on 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, 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*.

MARTA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on MARTA's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. MARTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Rancho Cucamonga, California
February 17, 2023

2022-001 **Financial Reporting and Closing**
Material Weakness

Criteria:

Management is responsible for the preparation of the basic financial statements and all accompanying information as well as representations contained therein, and the fair presentation in conformity with U.S. generally accepted accounting principles. This requires management to perform a year-end closing process to accumulate, reconcile and summarize information for inclusion in the annual financial statements.

Condition:

During the audit we identified adjustments, which were posted as part of the audit, for the following:

- Federal revenues in the amount of $297,765 were erroneously included in MARTA's general ledger as of June 30, 2021. As a result, federal revenues and net position balances were overstated in the prior fiscal year.
- Certain amounts were erroneously included in the calculation of Eligibility for Funds as required by § 6634 of the Transportation Development Act. As a result, MARTA's unearned revenue was overstated by $15,014.

Context:

The condition was noted during the testing of MARTA's receivables, revenues, and unearned revenues for the year ended June 30, 2022.

Effect:

A prior period adjustment entry was proposed and posted in order to adjust beginning net position as of July 1, 2021 for the amount of $297,765. In addition, adjustments were necessary to correctly present the calculation of Eligibility for Funds as required by § 6634 of the Transportation Development Act which resulted in audit adjustment entry in the amount of $15,014.

Cause:

MARTA's procedures did not allow for the proper calculation of information required for financial reporting.

Recommendation:

We recommend that MARTA review federal grant management policies and procedures in place to ensure amounts are properly captured, reconciled, classified, and reported. Further, MARTA should review its procedures over the preparation of the Eligibility for Funds calculation as required by § 6634 of the Transportation Development Act to ensure there is a documented review and approval, or other appropriate internal control to ensure proper amounts are calculated and reported.

Views of Responsible Official and Planned Corrective Actions:

Management agrees. See separately issued Corrective Action Plan.

2022-001 Payroll
Significant Deficiency

Criteria:

Management is responsible for the design and implementation of controls over payroll. which clearly details the level of review and approval necessary to complete a payroll transaction. Management must adhere to these policies and procedures to ensure an adequate control environment.

Condition:

During our audit we noted one (1) instance in which a timecard was not reviewed and approved prior to payroll process. In addition, there were two (2) instances in which we noted a variance between payroll register and daily time sheets due to data entry error.

Context:

The condition was noted during the testing of internal controls over payroll for the year ended June 30, 2022.

Effect:

MARTA's control environment is weakened

Cause:

MARTA did not adhere to its existing payroll policy and procedures.

Recommendation:

We recommend MARTA review their payroll policy and procedures to ensure that all time sheets are approved and all timecard elements are accurate prior to being processed.

Views of Responsible Official and Planned Corrective Actions:

Management agrees. See separately issued Corrective Action Plan.

Management's Response to Auditor's Findings:
Corrective Action Plan
June 30, 2022

Prepared by Management of

Mountain Area Regional Transit Authority

MOUNTAIN TRANSIT

Finding 2022-001

Finding Summary:	During the audit performed by Eide Bailly LLP, the following material audit adjustments were identified /posted:

- Federal revenues in the amount of $297,765 were erroneously included in MARTA's general ledger as of June 30, 2021. As a result, federal revenues and net position balances were overstated in the prior fiscal year.
- Certain amounts were erroneously included in the calculation of Eligibility for Funds as required by § 6634 of the Transportation Development Act. As a result, MARTA's unearned revenue was overstated by $15,014.

Responsible Individuals:	Jeremy Myers, Certified Public Accountant Sean Gillingham, Financial Analyst Sandy Benson, General Manager
Corrective Action Plan:	As part of MARTA's standard practice year-end "closing the books" procedures, henceforth the certified public accountant and the financial analyst will meet to assess all material revenue recognition entries that were posted to the general ledger tie out to any applicable request for reimbursements and are allocated to a particular grant. Once identified, said personnel will review material entries with the general manager. Doing so will ensure that revenues are properly recorded in the appropriate fiscal year in accordance with GASB 33 and other revenue recognition guidance within GAAP. In addition, the certified public accountant and the financial analyst will review the Transportation Development Act Handbook and Policies and Procedures to determine the eligibility of funds for transactions in which revenue has not yet been earned.
Anticipated Completion Date:	June 2023

Finding 2022-002

Finding Summary:	During the audit performed by Eide Bailly LLP, it was noted that one (1) instance in which a timecard was not reviewed and approved prior to payroll process. In addition, there were two (2) instances in which we noted a variance between payroll register and daily time sheets due to data entry error.
Responsible Individuals:	Karen Wentworth, HR / Office Manager Lois Lane, Operations Director Sean Gillingham, Financial Analyst Sandy Benson, General Manager
Corrective Action Plan:	MARTA has since had a meeting with all supervisory staff members to reiterate the importance of ensuring all employee timecards are properly reviewed for accuracy and that all physical timecards signify the approval of the employee's direct supervisor. In succession, the operations director will then review the physical timecards for completion / accuracy prior to entering data into electronic timesheets. The general manager will then review and approve the final payroll register that is input into the payroll software by the human resources manager, in reference to the electronic timesheets. In closing, the financial analyst will make the appropriate journal entries in the accounting software to record the transactions of the final payroll register.
Anticipated Completion Date:	Effective Immediately

Mountain Area Regional Transit Authority
P.O. Box 1501
41939 Fox Farm Road, Big Bear Lake, CA 92315
(909) 878-5200 Main

February 17, 2023

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

We have audited the financial statements of Mountain Area Regional Transit Authority (MARTA) as of and for the year ended June 30, 2022, and have issued our report thereon dated February 17, 2023. 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*

As communicated in our engagement letter dated June 16, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) 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 MARTA'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 comments regarding a significant control deficiency and a material weakness, 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 February 17, 2023.

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 our network firms 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. As described in Note 2, MARTA changed accounting policies related to accounting for leases to adopt the provisions of GASB Statement No. 87, *Leases*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2021. 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. No such significant accounting estimates were identified.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no financial statement disclosures that we consider to be particularly sensitive or involve significant judgment.

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 also 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:

- A prior period adjustment in the amount of $297,765 was necessary to correctly report federal revenues in the current fiscal year.
- Deferred revenue was overstated by $15,014 due to amounts inaccurately presented on the calculation of Eligibility for Funds as required by Section 6634 of the Transportation Development Act.

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

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.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and contect of our auditor's report. Our Auditor's report contains and Emphasis of Matter in regards to the MARTA's restatement of Net Position as of July 1, 2021 as well as the implementation of GASB Statement No. 87, *Leases.*

Representations Requested from Management

We have requested certain written representation from management which are included in the management representation letter date February 17, 2023.

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, significant events or transactions that occurred during the year, 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 the Mountain Area Regional Transit Authority and is not indended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Rancho Cucamonga, California

Annual Financial Report
June 30, 2022

Morongo Basin Transit Authority

(A Joint Powers Authority)

EideBailly®

eidebailly.com

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Morongo Basin Transit Authority (MBTA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the MBTA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the MBTA, as of June 30, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MBTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MBTA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MBTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MBTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability, the schedule of contributions for the cost sharing retirement plan, and the schedule of changes in total OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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 are not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of the 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 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 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

Assets	
Current assets	
Cash and cash equivalents	$ 5,053,237
Restricted cash	
Restricted for capital purposes	413,141
Pension/OPEB trusts	261,575
Receivables	
Grants	2,802,903
Accrued revenue	104,712
Prepaid costs	68,800
Total current assets	8,704,368
Noncurrent Assets	
Capital assets, net	5,611,287
Total assets	14,315,655
Deferred Outflows of Resources	
Deferred amount related to pensions	361,981
Deferred amount related to OPEB	520,623
Total deferred outflows of resources	882,604
Liabilities	
Current liabilities	
Accounts payable	59,319
Compensated absences	54,563
Other accrued liabilities	11,426
Unearned revenue	3,834,634
Total current liabilities	3,959,942
Noncurrent liabilities	
Net pension liability	397,837
Total OPEB liability	2,839,069
Compensated absences	54,564
Total noncurrent liabilities	3,291,470
Total liabilities	7,251,412
Deferred Inflows of Resources	
Deferred amount related to pensions	355,492
Deferred amount related to OPEB	732,516
Total deferred inflows of resources	1,088,008
Net Position	
Net investment in capital assets	5,611,287
Unrestricted	1,247,552
Total net position	$ 6,858,839

Operating Revenues	
Passenger fares	$ 284,583
Procurement services	309,827
Taxi licensing services	5,740
Total operating revenues	600,150
Operating Expenses	
Operations	2,570,972
Maintenance	469,796
Administration	673,136
Procurement	219,339
Taxi licensing	10,472
Escort program TREP	73,540
Depreciation	1,277,006
Total operating expense	5,294,261
Operating income (loss)	(4,694,111)
Non-Operating Revenues	
Operating assistance	
Local transportation fund article 4	1,057,108
Measure I	146,127
Federal transit administration section 5311	2,251,472
Federal transit administration section 5310 TREP	73,629
State and local grants	40,000
Interest income	3,297
Net decrease in fair value of investments	(45,457)
Miscellaneous	174,534
Total non-operating revenues	3,700,710
Loss Before Capital Contributions	(993,401)
Capital contributions	
State transit assistance fund	163,102
Local transportation fund article 4	1,570
Local transportation fund article 3	28,164
Low carbon transit operations program	141,472
Proposition 1B	522,112
State of good repair	124,988
Total capital contributions	981,408
Change in Net Position	(11,993)
Net Position, Beginning of Year	6,870,832
Net Position, End of Year	$ 6,858,839

Operating Activities		
Cash received from fares	$	284,583
Cash received from taxi and procurement services		315,567
Payments to employees		(2,918,453)
Payments to vendors for services		(1,276,157)
Net Cash used in Operating Activities		(3,594,460)
Non-Capital Financing Activities		
Operating grants received		1,360,875
Net Cash Provided by Non-Capital Financing Activities		1,360,875
Capital and Related Financing Activities		
Capital grants received		3,758,310
Purchase of capital assets		(1,092,151)
Net Cash Provided by Capital and Related Financing Activities		2,666,159
Investing Activities		
Investment income		3,297
Net Cash provided by Investing Activities		3,297
Net increase in Cash and Cash Equivalents		435,871
Cash and Cash Equivalents, Beginning of Year		5,292,082
Cash and Cash Equivalents, End of Year	$	5,727,953
Reconciliation of Cash and Cash Equivalents to Statement of Net Position		
Cash and cash equivalents	$	5,053,237
Restricted cash for capital purposes		413,141
Restricted cash - pension/OPEB trusts		261,575
Total cash and cash equivalents	$	5,727,953

Reconciliation of Operating Loss to Net Cash used in Operating Activities	
Operating income (loss)	$ (4,694,111)
Adjustments to Reconcile Operating (Loss) to Net Cash used in Operating Activities	
Depreciation expense	1,277,006
Net decrease in fair value of investments	(45,457)
Changes in Assets and Liabilities	
(Increase) decrease in assets	
Accounts receivable	(34,027)
Prepaid costs	(68,800)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	28,386
Net pension liability	(651,518)
Total OPEB liability	528,925
Change in deferred outflows of resources related to pensions	15,893
Change in deferred inflows of resources related to pensions	341,925
Change in deferred outflows of resources related to OPEB	(106,467)
Change in deferred inflows of resources related to OPEB	(186,215)
Total adjustments	1,099,651
Net Cash used in Operating Activities	$ (3,594,460)
Non-cash investing, capital, and financing activities:	
Net decrease in fair value of investments	$ 45,457

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.

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.

Capital assets are stated at historical 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, deferred outflows of resources, liabilities, and deferred inflows or resources and is classified into two categories

- Net 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, 2022 is $413,141. Furthermore, $261,575 is held under the establishment of two Section 115 Trusts funds through CalPERS. MBTA participates in the California Employers’ Pension Prefunding Trust Program (CERBT) and California Employers’ Pension Prefunding Trust Program (CEPPT) which hold $151,549 and $110,026, respectively.

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. The majority of the miscellaneous revenue balance presented is composed of Compressed Natural Gas (CNG) tax credits and revenue from the sale of CNG.

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 13 for items identified as deferred inflows and outflows as of June 30, 2022.

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.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

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. Application of this statement was originally effective for the fiscal year ending June 30, 2022. In accordance with GASB 95, this standard was delayed, and the new effective date is for fiscal years ending December 31, 2022, and subsequent (or June 30, 2023 fiscal year). MBTA 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 to 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. MBTA 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. MBTA has not determined the effect of this statement.

GASB Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This Statement will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. MBTA has not determined the effect on this statement.

GASB Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections.* This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. MBTA has not determined the effect of this statement.

GASB Statement No. 101 – In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. MBTA has not determined the effect of this statement.

Note 3 - Procurement Activity and Taxi Licensing Activity

Procurement activities are for services provided to local agencies assisting with procurement of buses. The State of California Department of Transportation and the SBCTA 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, 2022, 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, 2022 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	$	1,670,045
Change in balance		90,488
Ending balance of procurement activities	$	1,760,533

Taxi licensing activities balance from prior year	$	75,390
Change in balance		(4,732)
Ending balance of taxi licensing activities	$	70,658

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

Note 4 - Cash and Cash Equivalents

Cash and cash equivalents	$	5,053,237
Restricted cash		674,716
Total	$	5,727,953

Cash and cash equivalents as of June 30, 2022 consist of the following:

Cash on hand	$	805
Demand accounts		4,189,439
Section 115 Trust Funds		261,575
Local agency investment fund (LAIF)		1,276,134
Total	$	5,727,953

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, 2022, 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 $2,955,967 exposed to credit risk for deposits as of June 30, 2022.

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 and is not rated. 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, 2022, MBTA's balance in LAIF was $1,276,134.

Investments in Section 115 Trusts

MBTA participates in CEPPT and CERBT Section 115 trust funds. The agreement entered into by MBTA provides that the California Public Employees' Retirement Board of Administration has sole and exclusive control of the administration and investment of MBTA's contributions. MBTA's contributions may be aggregated with the assets of other participating employers and may be co-invested by the Board in any asset classes appropriate for a Section 115 trust. CalPERS issues publicly available reports that include investment policies for both the CEPPT and CERBT fund that can be found on the CalPERS website.

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, 2022 of $1,276,134 is measured based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

Note 5 - Federal, State, and Local Grants

Federal Assistance

MBTA receives allocated Federal operating assistance funds. 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, 2022 was $2,325,101.

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 2022 is as follows:

	Operating Funds	Capital Funds	Total
Beginning balance, July 1, 2021	$ 605,073	$ 993,975	$ 1,599,048
Gross receipts **			
Fares	284,583	-	284,583
State transit assistance fund	-	178,326	178,326
Federal transit admin section 5311	2,251,472	-	2,251,472
Local transportation fund, article 3	-	28,164	28,164
Local transportation fund, article 4	3,834,010	-	3,834,010
Measure I	86,252	-	86,252
Interest income	-	79	79
Other	-	139,996	139,996
LCTOP	-	85,964	85,964
SB1 State of good repair	-	152,706	152,706
FTA Section 5310	73,629	-	73,629
Total gross receipts	6,529,946	585,235	7,115,181
Operating expenses, less depreciation	3,982,855	34,400	4,017,255
Less:			
MBTA reported procurement operations expense	(219,339)	-	(219,339)
MBTA reported taxi licensing operations expense	(10,472)	-	(10,472)
Capital acquisitions	-	1,092,151	1,092,151
Receipts over (under) expenses in current period	2,776,902	(541,316)	2,235,586
Amount Unearned at June 30, 2022	$ 3,381,975	$ 452,659	$ 3,834,634

**$309,827 procurement operating revenue and $5,740 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.

The fare ratio as of June 30, 2022, is calculated as follows:

Operating expenses	$ 5,294,261
Less MBTA reported procurement operations expense	(219,339)
Less MBTA reported taxi licensing operations expense	(10,472)
Less reimbursable expenses	(79,092)
Less depreciation	(1,277,006)
Adjusted operating expenses	$ 3,708,352
Fare revenue	$ 284,583
Fare ratio	7.67%
Local and Federal Funds used by the operator to supplement fare box revenues to satisfy the 10% fare ratio as permitted by section 99268.19	86,252
Adjusted fare revenue	$ 370,835
Adjusted fare ratio	10.00%

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, 2021	$ 760,577
Interest earned during fiscal year	66
Funds expended during fiscal year	(522,178)
Unearned PTMISEA Balance, June 30, 2022	$ 238,465

State of Good Repair

The State of Good Repair (Road Repair and Accountability Act of 2017) provides additional revenues for transit infrastructure repair and service improvements including eligible transit maintenance, rehabilitation and capital projects. The total held in restricted accounts as of June 30, 2022 was $93,359.

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 total held in restricted accounts as of June 30, 2022, was $81,317.

Note 6 - Capital Assets

Capital asset activity for the fiscal years ended June 30, 2022, is as follows:

	Beginning Balance July 01, 2021	Additions	Retirements	Ending Balance June 30, 2022
Capital assets being depreciated				
Buildings and improvements	$ 10,511,837	$ 361,656	$ -	$ 10,873,493
Office furniture, fixtures and equipment	216,247	31,006	-	247,253
Buses	5,027,956	680,895	-	5,708,851
Vehicles	253,773	18,594	-	272,367
Information systems	26,437	-	-	26,437
Data handling equipment	594	-	-	594
	16,036,844	1,092,151	-	17,128,995
Less accumulated depreciation for				
Buildings and improvements	6,804,727	504,069	-	7,308,796
Office furniture, fixtures and equipment	212,608	12,564	-	225,172
Buses	3,005,899	736,554	-	3,742,453
Vehicles	195,519	17,559	-	213,078
Information systems	21,473	6,260	-	27,733
Data handling equipment	476	-	-	476
	10,240,702	1,277,006	-	11,517,708
Capital assets, net of accumulated depreciation	$ 5,796,142	$ (184,855)	$ -	$ 5,611,287

Note 7 - Grants

Grants receivable at June 30, 2022 were $2,802,903. This balance was composed of $2,724,400 of Federal operating assistance grant funds and $78,503 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, 2022, the amount available on the line of credit was $500,000. The line of credit has a maturity date of May 12, 2023. 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 4.75 percent as of June 30, 2022. No amounts were outstanding on the line of credit as of June 30, 2022 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, 2022, the retrospective calculation has not resulted in any additional liabilities for the general liability and physical damage policies. MBTA paid premiums to CalTIP of $284,920 for the fiscal year ended June 30, 2022. 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 on the next page.

MBTA has self-insurance programs for the following risks:

- Vehicle damage program with limits of $1,500,000 on any one vehicle and $20,000,000 on any one occurrence is insured through CalTIP.
- 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.
- Special property insurance program through Alliant insurance Services which covers all perils up to $25,000,000 per occurrence.
- Crime insurance program through Alliant Insurance Services with policy limits of $1,000,000.
- Workers' compensation to a maximum of $125,000 per incident is covered by PRISM Insurance Authority, over which coverage is provided to $50,000,000 by the excess workers' compensation program of the PRISM Insurance Authority. The excess workers' compensation program has a specific self-insured retention amount of $125,000.
- Professional liability (Errors and Omissions) coverage through Alliant Insurance Services with limits $1,000,000 per claim and policy aggregate.
- Difference in conditions coverage through Alliant Insurance Services with limits of $4,528,404 per occurrence and annual aggregate.

Note 10 - Compensated Absences

The balance of $109,129 is related to accumulated unpaid personal leave which includes vacation and comp pay accrued at June 30, 2022.

Balance at July 01, 2021	Additions	Deletions	Balance at June 30, 2022	Amount Due in One Year	Amount Due Beyond One Year
$ 96,688	$ 53,855	$ 41,416	$ 109,127	$ 54,563	$ 54,564

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, 2022, are summarized as follows:

	Miscellaneous	
Hire Date	Classic - Prior to January 1, 2013	PEPRA - On or After January 1, 2013
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%	6.75%
Required employer contribution rate	8.65%	7.59%
Plus: annual required lump sum payment	$ 74,863	$ 5,047

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, 2022 were $220,260.

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

As of June 30, 2022, MBTA's proportionate share of the collective net pension liability of the Plan is $397,837.

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, 2021 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, 2020 rolled forward to June 30, 2021 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, 2021 and 2022 were as follows:

	Miscellaneous
Proportion - June 30, 2021	0.02488%
Proportion - June 30, 2022	0.02095%
Change - Increase (Decrease)	-0.00393%

For the year ended June 30, 2022, MBTA recognized pension credit of $73,439. At June 30, 2022, 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
Differences between Expected and Actual Experience	$ 44,613	$ -
Differences between Projected and Actual Investment Earnings	-	(347,290)
Differences between Employer's Contributions and Proportionate Share Contributions	-	(8,202)
Change in Employer's Proportion	97,108	-
Pension Contributions Made Subsequent to Measurement Date	220,260	-
Total	$ 361,981	$ (355,492)

The amount of $220,260 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,		
2023	$	(19,079)
2024		(35,425)
2025		(63,295)
2026		(95,972)
	$	(213,771)

(c) Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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	7.15% (1)
Mortality	Derived using CalPERS' Membership Data for all funds

(1) Net of pension plan investment, includes inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 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 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. This 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

Asset Class (1)	Target Allocation	Long-term Expected Real Rate of Return Years 1-10 (2)	Long-term Expected Real Rate of Return Years 11 + (3)
Public 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%		

(1) In the System's comprehensive annual financial report, fixed income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
(2) An expected inflation of 2.00% used for this report
(3) An expected inflation of 2.92% used for this report

(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	$ 1,178,340	$ 397,837	$ (247,394)

(g) Pension Plan Fiduciary Net Position

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

(h) Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decisions on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022 measurement date.

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, 2022, HRA reimbursements in the amount of $68,693 were reported as operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position. The total HRA liability as of June 30, 2022 is $0.

Note 13 - Other 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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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, 2021, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	39
Inactive employees or beneficiaries currently receiving benefits	7
Total	46

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 2021-2022, the total contributions made to the plan were $27,612.

Total OPEB Liability: MBTA's total OPEB liability of $2,839,069 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020. 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, 2020 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, Level Percent of Pay
Actuarial Assumptions:	
Discount Rate	1.92% (1)
Inflation	3.00%
Salary Increases	3.00%
Mortality	(2)
Healthcare Trend Rate	3.50% for 2020-2023; 5.20% for 2024-2069, 4% for 2070 and later years; Medicare 3.50% for all years.

(1) Based on Fidelity GO AA 20 Years Municipal Index
(2) Pre-retirement Mortality from CalPERS Experience Study (1997-2015)
Post-retirement Mortality for Healthy recipients from CalPERS Experience Study (1997-2015)

Changes in Assumptions: Based on adjustments to the Fidelity GO AA 20 Years Municipal Index the discount rate was changed to 1.92% from 2.45%.

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2021	$ 2,310,144
Changes in the year:	
Service cost	279,570
Interest	63,097
Changes in assumptions	215,090
Benefit payments, including implicit subsidy	(28,832)
Net changes	528,925
Balance at June 30, 2022	$ 2,839,069

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 (0.92 percent) or 1 percentage-point higher (2.92 percent) than the current discount rate:

	1% Decrease (0.92%)	Discount Rate (1.92%)	1% Increase (2.92%)
Total OPEB Liability	$ 3,318,546	$ 2,839,069	$ 2,452,304

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 (a)	Healthcare Cost Trend Rate	1% Increase (b)
Total OPEB Liability	$ 2,389,862	$ 2,839,069	$ 3,408,256

(a) 2.50% for 2021-2023, 4.20% for 2024-2069, 3.00% for 2070 +; Medicare 2.50%
(b) 4.50% for 2021-2023, 6.20% for 2024-2069, 5.00% for 2070 +; Medicare 4.50%

OPEB Expense and Deferred Outflows of Resources Related to OPEB: For the year ended June 30, 2022, MBTA recognized OPEB expense of $263,855. At June 30, 2022, 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	$ -	$ (732,516)
Changes in assumption or other inputs	493,011	-
OPEB benefits paid subsequent to measurement date as they became due	27,612	-
Total	$ 520,623	$ (732,516)

$27,612 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2023	$ (78,812)
2024	(78,812)
2025	(78,812)
2026	(22,946)
2027	321
Thereafter	19,556
	$ (239,505)

Note 14 - Section 115 Trust

In April 2021, the board of directors approved the MBTA's participation in the California Employer' Pension Prefunding Trust Program (CEPPT) and the California Employers' Retiree Benefit Trust Program (CERBT). The California Public Employees' Retirement System's (CalPERS) board of administration has sole and exclusive control and power over the administration and investment of the prefunding plan. Contributions are irrevocable, the assets are held to reduce pension and OPEB contributions in the future, and the assets are protected from MBTA's creditors. The purpose of MBTA's participation in each program was to address MBTA's pension and OPEB obligations by accumulating assets. In accordance with generally accepted accounting principles, the assets in the trust funds are considered assets of MBTA. Accordingly, the Section 115 Trust assets are recorded as restricted by MBTA rather than assets of the pension or OPEB plans during the measurement of the net pension and total OPEB liabilities. The assets held in trust will be considered assets of the pension or OPEB plan at the time they are transferred out of the trust and into the respective pension or OPEB plan.

MBTA contributes into each plan on a monthly basis. For the year ended June 30, 2022, MBTA made contributions in the amount of $120,408 and $169,980 to CEPPT and CERBT, respectively. As of June 30, 2022, the fair value of assets held in trust is $261,575.

Note 15 - Subsequent Events

In May 2022, the board of directors approved a rebranding of the Morongo Basin Transit Authority. The effect took place subsequent to the end of the fiscal year. MBTA is now known as Basin Transit.

Required Supplementary Information
June 30, 2022

Morongo Basin Transit Authority

	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the collective net pension liability	0.02095%	0.02488%	0.00906%	0.00848%	0.00841%	0.00802%	0.00841%	0.00915%
Proportionate share of the collective net pension liability	$ 397,837	$ 1,049,355	$ 928,676	$ 817,011	$ 834,456	$ 694,380	$ 477,834	$568,496
Covered payroll	$ 1,892,163	$ 1,768,347	$ 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	21.03%	59.34%	55.92%	55.27%	64.78%	58.36%	40.93%	44.18%
Plan fiduciary net position as a percentage of the total pension liability	90.49%	77.71%	77.73%	75.26%	73.31%	74.06%	78.40%	79.82%
Measurement date	June 30, 2021	June 30, 2020	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.

Change of Assumptions
The discount rate changed from 7.65 percent used for the June 30, 2016 measurement date to 7.15 percent used for the June 30, 2017 measurement date.

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 220,260	$ 144,126	$ 132,946	$ 110,190	$ 101,940	$ 89,367	$ 97,304	$ 97,728
Contributions in relation to the actuarially determined contribution	(220,260)	(144,126)	(132,946)	(110,190)	(101,940)	(89,367)	(97,304)	(97,728)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll**	$ 1,725,338	$ 1,892,163	$ 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	12.77%	7.62%	7.52%	6.63%	6.90%	6.94%	8.18%	8.37%

*Fiscal year 2015 was the first year of implementation.

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 279,570	$ 228,652	$ 241,469	$ 243,107	$ 307,069
Interest	63,097	81,370	78,383	88,680	74,734
Differences between actual and expected experience	-	(644,109)	-	(638,083)	-
Changes in assumptions	215,090	289,197	161,055	47,476	-
Benefit payments, including refunds of employee contributions	(28,832)	(31,753)	(35,552)	(33,163)	(33,163)
Net change in total OPEB liability	528,925	(76,643)	445,355	(291,983)	348,640
Total OPEB liability - beginning	2,310,144	2,386,787	1,941,432	2,233,415	1,884,775
Total OPEB liability - ending	$ 2,839,069	$ 2,310,144	$ 2,386,787	$ 1,941,432	$ 2,233,415
Covered-employee payroll	$ 1,435,207	$ 1,753,417	$ 1,631,908	$ 1,478,115	$ 1,288,112
Total OPEB liability as a percentage of covered-employee payroll	198%	132%	146%	131%	173%

Notes to Schedule:
Funding Policy: MBTA funds the benefits on a pay-as-you-go basis.
*Fiscal year 2018 was the first year of implementation.

Changes of Assumptions
For the measurement date June 30, 2019 the discount rate was changed to 3.13% from 3.62%. For the measurement date June 30, 2020, the discount rate was changed to 2.45%. For the measurement date June 30, 2021, the discount rate was changed to 1.92%.

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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

To the Board of Directors
Morongo Basin Transit Authority
Joshua Tree, 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 Morongo Basin Transit Authority (MBTA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise MBTA's basic financial statements and have issued our report thereon dated December 22, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MBTA's internal control over financial reporting (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 MBTA's internal control. Accordingly, we do not express an opinion on the effectiveness of MBTA'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we considered to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MBTA'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 Section 6667 of Title 21 of the California Code of Regulations and the allocation instructions of San Bernardino County Transportation Authority, 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.

MBTA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on MBTA's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. MBTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

2022-001 **Financial Statement Preparation and Reporting**
Material Weakness

Criteria:

Management is responsible for the preparation of the basic financial statements and all accompanying information as well as representations contained therein, and the fair presentation in conformity with U.S. generally accepted accounting principles. This requires management to perform a year-end closing process to accumulate, reconcile and summarize information for inclusion in the annual financial statements.

Condition:

We prepared the financial statements for MBTA using the records of MBTA. During the audit we identified adjustments, which were posted as part of the audit, for the following:

- Gross receipts, related to funding from local sources, were included in the calculation of Eligibility for Funds as required by § 6634 of the Transportation Development Act in an amount exceeding what was required to meet the farebox ratio requirement. As a result, an adjustment in the aggregate amount of $283,307 was required.
- MBTA had not adjusted the Fair Market Value balance for their investments in the Local Agency Investment Fund (LAIF). As a result, an adjustment in the amount of $16,644 was required.
- MBTA had began tracking contributions to CERBT and CEPPT as expenses as of the beginning of the fiscal year. An adjustment was required to report the contributions as restricted assets of MBTA in the aggregate amount of $290,388. Additionally, a correction to properly record the investment losses in each fund in the aggregate amount of $28,813 was required.
- An adjustment in the amount of $68,800 was required to properly report prepaid costs that were incorrectly recognized as expenses in the current year.

Context:

The condition was noted during the testing of MBTA's various accounts balances and transactions cycles, and during the financial statement preparation process, for the year ended June 30, 2022.

Effect:

Journal entries were proposed and posted in order to fairly present the financial statements. Additional entries were required for unearned revenues after audit adjustments were posted to properly state revenues.

Cause:

MBTA's procedures did not allow for all balances to be properly reported in accordance with GAAP, and adjustments were required as part of the financial statement preparation process.

Recommendation:

We recommend that MBTA review its closing policies and procedures in place to ensure amounts are properly captured, reconciled, classified, and reported. Further, MBTA should review its procedures over the preparation of the Eligibility for Funds calculation as required by § 6634 of the Transportation Development Act to ensure there is a documented review and approval, or other appropriate internal control to ensure proper amounts are calculated and reported. MBTA should evaluates its review procedures over the financial statements to ensure balances are properly reflected prior to audit.

Views of Responsible Official and Planned Corrective Actions:

Management agrees. See separately issued corrective action plan.

December 22, 2022

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

We have audited the financial statements of the Morongo Basin Transit Authority (MBTA) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 22, 2022. 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*

As communicated in our letter dated July 15, 2022, 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 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 MBTA 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 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 December 21, 2022.

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 MBTA is included in Note 1 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 fiscal 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 amounts related to the net pension liability and total OPEB liability, related deferred inflows of resources, pension and OPEB expense, and pension and OPEB expense and related disclosures, which are based on actuarial valuations and calculations of proportionate share of CalPERS collective net pension liability, as applicable.

We evaluated the key factors and assumptions used to develop the estimates and determined that they were 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 MBTA's financial statements relate to:

- The disclosure of MBTA's cost-sharing defined benefit pension plan's net pension liability and related deferred inflows and outflows, and pension expense (credit) in Note 11 of the financial statements. The valuation of the net pension liability and related deferred outflows and inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate, and MBTA's proportionate share of the plan's collective net pension liability. As disclosed in Note 11, a 1% increase or decrease in the discount rate has a material effect on MBTA's net pension liability.

- The disclosure of MBTA's post-employment benefits and related total OPEB liability in Note 13 to the financial statements. The valuation of the total OPEB liability and related deferred outflows and inflows of resources are sensitive to the underling actuarial assumptions, but not limited to, the changes in the discount rate and healthcare cost trend rates. As disclosed in Note 13, a 1% increase or decrease in the discount rate and healthcare cost trend rate has a material effect on MBTA's OPEB 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. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Correction to record the Fair Market Value adjustment for LAIF in the amount of $16,644.
- Correction to properly report contribution to CERBT and CEPPT as assets in the aggregate amount of $290,388. Additionally, a correction to properly record the investment losses in each fund in the amount of $28,813.
- Correction to properly report prepaid costs in the amount of $68,800.
- Correction to unearned revenue in the amount of $283,307.

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

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.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 22, 2022.

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 MBTA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as MBTA's auditors.

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

Eide Bailly LLP

Rancho Cucamonga, California

Federal Awards Reports in Accordance with the Uniform Guidance
Fiscal Year Ended June 30, 2022

Morongo Basin Transit Authority

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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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Morongo Basin Transit Authority (MBTA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise MBTA's basic financial statements and have issued our report thereon dated December 22, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MBTA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MBTA's internal control. Accordingly, we do not express an opinion on the effectiveness of MBTA'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we considered to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MBTA'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 Section 6667 of Title 21 of the California Code of Regulations and the allocation instructions of San Bernardino County Transportation Authority, 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.

MBTA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on MBTA's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. MBTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 MBTA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MBTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

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

The Board of Directors
Morongo Basin Transit Authority
Joshua Tree, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Morongo Bain Transit Authority's (MBTA) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on MBTA's major federal program for the year ended June 30, 2022. MBTA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MBTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MBTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MBTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to MBTA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MBTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MBTA's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MBTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MBTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MBTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-002. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on MBTA's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. MBTA 's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on MBTA's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. MBTA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of MBTA as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise MBTA's basic financial statements. We issued our report thereon dated December 22, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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.

Eide Bailly LLP

Rancho Cucamonga, California
February 1, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation - Federal Transit Administration			
Passed through State of California Department of Transportation:			
Formula Grants for Rural Areas, Section 5311	20.509	Pre-Award	$ 568,530
COVID-19 Formula Grants for Rural Areas, Section 5311	20.509	64RO21-01647	1,682,942
Total Formula Grants for Rural Areas			2,251,472
Transit Services Programs Cluster:			
Enhanced Mobility for Senior and Individuals with Disabilities	20.513	64AO19-01199	73,629
Total U.S. Department of Transportation			2,325,101
Total Federal Financial Assistance			$ 2,325,101

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Morongo Basin Transit Authority (MBTA) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation 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 operation of the MBTA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the MBTA.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the full accrual basis of accounting. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The MBTA has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
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 Uniform Guidance 2 CFR 200.516:	Yes

Identification of major federal programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing/CFDA Number
Formula Grants for Rural Areas	20.509
COVID-19 Formula Grants for Rural Areas	20.509

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2022-001 Financial Statement Preparation and Reporting
Material Weakness

Criteria:

Management is responsible for the preparation of the basic financial statements and all accompanying information as well as representations contained therein, and the fair presentation in conformity with U.S. generally accepted accounting principles. This requires management to perform a year-end closing process to accumulate, reconcile and summarize information for inclusion in the annual financial statements.

Condition:

We prepared the financial statements for MBTA using the records of MBTA. During the audit we identified adjustments, which were posted as part of the audit, for the following:

- Gross receipts, related to funding from local sources, were included in the calculation of Eligibility for Funds as required by §6634 of the Transportation Development Act in an amount exceeding what was required to meet the farebox ratio requirement. As a result, an adjustment in the aggregate amount of $283,307 was required.
- MBTA had not adjusted the Fair Market Value balance for their investments in the Local Agency Investment Fund (LAIF). As a result, an adjustment in the amount of $16,644 was required.
- MBTA had begun tracking contributions to CERBT and CEPPT as expenses as of the beginning of the fiscal year. An adjustment was required to report the contributions as restricted assets of MBTA in the aggregate amount of $290,388. Additionally, a correction to properly record the investment losses in each fund in the aggregate amount of $28,813 was required.
- An adjustment in the amount of $68,800 was required to properly report prepaid costs that were incorrectly recognized as expenses in the current year.

Context:

The condition was noted during the testing of MBTA's various accounts balances and transactions cycles, and during the financial statement preparation process, for the year ended June 30, 2022.

Effect:

Journal entries were proposed and posted in order to fairly present the financial statements. Additional entries were required for unearned revenues after audit adjustments were posted to properly state revenues.

Cause:

MBTA's procedures did not allow for all balances to be properly reported in accordance with GAAP, and adjustments were required as part of the financial statement preparation process.

Recommendation:

We recommend that MBTA review its closing policies and procedures in place to ensure amounts are properly captured, reconciled, classified, and reported. Further, MBTA should review its procedures over the preparation of the Eligibility for Funds calculation as required by §6634 of the Transportation Development Act to ensure there is a documented review and approval, or other appropriate internal control to ensure proper amounts are calculated and reported. MBTA should evaluate its review procedures over the financial statements to ensure balances are properly reflected prior to audit.

Views of Responsible Official and Planned Corrective Actions:

Management agrees. See separately issued corrective action plan.

Section III – Federal Award Findings and Questioned Costs

2022-002 **Program:** Formula Grants for Rural Areas, COVID-19 Formula Grants for Rural Areas
Federal Financial Assistance Number: 20.509
Federal Grantor: U.S. Department of Transportation – Federal Transit Administration
Passed-Through: State of California Department of Transportation
Award No. and Year: 64RO21-01647 and 2022

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Type of Finding: Significant Deficiency in Internal Control and Instance of Non-Compliance

Criteria:

2 CFR section 200.430, *Compensation – personal services,* states that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. The records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Condition:

During our testing of the program we noted instances in which employees were paid an additional amount of sick time during a pay period.

Cause:

Due to a programming error within ADP's system, employee sick time hours that were coded on time-cards were doubled on MBTA's payroll register.

Effect:

The programming error caused for excess costs to be incurred by MBTA. As payroll charges were fully allocated to the Federal program, the amount allocated also includes the excess amounts paid to employees.

Questioned Costs:

As a result of our procedures, we identified excess payments to employees in the amount of $527. However, the total amount caused by the data entry error was $756.

Context/Sampling:

A nonstatistical sample of 40 transactions out of approximately 988 transactions were selected for testing, which accounted for $77,983 of $2,251,472 of federal program expenditures.

Repeat Finding from prior Year:

No.

Recommendation:

We noted that MBTA revised its procedures to ensure system errors are identified prior to payroll being finalized and the programming error persisted for only a single pay period. However, we recommend that MBTA revise its Federal grant management procedures to ensure that costs incurred due to error or other types of unallowable costs are not included in subsequent reimbursement requests.

View of Responsible Officials:

Management agrees. See separately issued corrective action plan.

Financial Statements Findings

Finding No.	Finding Area	Status of Corrective Action
2021-001	Financial Reporting and Closing	Partially implemented. Refer to Finding No. 2022-001

Federal Award Findings

None reported.

February 1, 2023

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

We have audited the financial statements of the Morongo Basin Transit Authority as of and for the year ended June 30, 2022, and have issued our report thereon dated December 22, 2022. 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 letter dated July 15, 2022, 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 MBTA complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MBTA's 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 MBTA 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 MBTA's major federal program compliance, is to express an opinion on the compliance for each of MBTA's major federal programs 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 MBTA's 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 December 22, 2022. 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 February 1, 2023.

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 MBTA 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 fiscal 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 amounts related to the net pension liability and total OPEB liability, related deferred inflows of resources, pension and OPEB expense, and pension and OPEB expense and related disclosures, which are based on actuarial valuations and calculations of proportionate share of CalPERS collective net pension liability, as applicable.

We evaluated the key factors and assumptions used to develop the estimates and determined that they were 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 MBTA's financial statements relate to:

- The disclosure of MBTA's cost-sharing defined benefit pension plan's net pension liability and related deferred inflows and outflows, and pension expense (credit) in Note 11 of the financial statements. The valuation of the net pension liability and related deferred outflows and inflows of resources are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate, and MBTA's proportionate share of the plan's collective net pension liability. As disclosed in Note 11, a 1% increase or decrease in the discount rate has a material effect on MBTA's net pension liability.

- The disclosure of MBTA's post-employment benefits and related total OPEB liability in Note 13 to the financial statements. The valuation of the total OPEB liability and related deferred outflows and inflows of resources are sensitive to the underling actuarial assumptions, but not limited to, the changes in the discount rate and healthcare cost trend rates. As disclosed in Note 13, a 1% increase or decrease in the discount rate and healthcare cost trend rate has a material effect on MBTA's OPEB 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. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Correction to record the Fair Market Value adjustment for LAIF in the amount of $16,644.
- Correction to properly report contribution to CERBT and CEPPT as assets in the aggregate amount of $290,388. Additionally, a correction to properly record the investment losses in each fund in the amount of $28,813.
- Correction to properly report prepaid costs in the amount of $68,800.
- Correction to unearned revenue in the amount of $283,307.

There were no uncorrected misstatements identified as a results of our audit procedures.

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.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 22, 2022, and updated February 1, 2023.

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 MBTA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as MBTA's auditors.

Noncompliance with Laws and Regulations

We have identified the following matters involving noncompliance with laws and regulations that came to our attention during the course of the audit.

As described in Finding 2022-002, during our testing of the federal program we noted instances in which employees were paid additional amount of sick time during a pay period, resulting in $756 of questioned costs.

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

Eide Bailly LLP

Rancho Cucamonga, California

Financial Statements
June 30, 2022 and 2021

City of Needles, California
Transportation Development Act Fund

EideBailly®

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

	2022 Article 3	2021 Article 3
Assets		
Cash and investments	$ 725	$ 725
Fund Balance		
Restricted	$ 725	$ 725

See Notes to Financial Statements.

Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2022 and 2021

	2022 Article 3	2021 Article 3
Revenues		
TDA allocation	$ -	$ -
Expenditures		
Current		
TDA expenditures	-	-
Total expenditures	-	-
Net Change in Fund Balance	-	-
Fund Balance, Beginning of Year	725	725
Fund Balance, End of Year	$ 725	$ 725

See Notes to Financial Statements.

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, 2022 and 2021, 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 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.

The TDA Article 3 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 Article 3 Fund's deposits and withdrawals in the City Investment Pool are made on the basis of $1 and not fair value. Accordingly, the TDA Article 3 Fund's investment in the City Investment Pool is measured based on uncategorized inputs 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. 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.

Required Supplementary Information
June 30, 2022 and 2021

City of Needles, California
Transportation Development Act Fund

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ -	$ -	$ -	$ -
Expenditures				
Current				
TDA expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	725	725	725	-
Fund Balance, End of Year	$ 725	$ 725	$ 725	$ -

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ -	$ -	$ -	$ -
Expenditures				
Current				
TDA expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	725	725	725	-
Fund Balance, End of Year	$ 725	$ 725	$ 725	$ -

Note 1 - Budgetary Data

The City did not adopt a budget for the TDA Article 3 Fund in 2022 or 2021.

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, 2022, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2022. 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

Financial Statements
June 30, 2022

Needles Transit Fund

(an Enterprise Fund of the City of Needles, California)

Independent Auditor's Report

Members of City Council
City of Needles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Needles Transit Fund (Transit Fund), an enterprise fund of the City of Needles, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Transit Fund of the City, as of June 30, 2022, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As disclosed in Note 1, the financial statements present only the Transit Fund of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2022, and the changes in financial position, or, where applicable, its cash flows thereof 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 the missing information

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the program status and maintenance of effort schedules (other information), as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of the City's internal control over financial reporting of the Transit 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 Transit Fund.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

Assets		
Current assets		
Cash and cash equivalents	$	179,328
Due from other governments		115,466
Total current assets		294,794
Capital assets		
Depreciable		897,341
Accumulated depreciation		(486,648)
Total capital assets, net		410,693
Total assets		705,487
Liabilities		
Current liabilities		
Accounts payable		48,187
Unearned revenues		60,937
Total liabilities		109,124
Net Position		
Investment in capital assets		410,693
Unrestricted		185,670
Total net position	$	596,363

Operating Revenues	
Fares	$ 40,995
Operating Expenses	
Operations	487,761
Maintenance	5,268
General and administration	44,332
Depreciation	58,335
Total operating expenses	595,696
Operating (Loss)	(554,701)
Non-Operating Revenues	
Local Transportation Fund Article 8	214,087
Federal Transit Administration Section 5311	62,366
Federal Transit Administration CARES Section 5311	194,914
State Transit Assistance Fund	1,704
Measure I - Senior and Handicapped Subsidy	23,203
Interest income	80
Miscellaneous	12
Total non-operating revenues	496,366
Income (Loss) Before Capital Contributions	(58,335)
Capital Contributions	
State of Good Repair	8,559
MDAQMD AB 2766	15,000
Total capital contributions	23,559
Change in Net Position	(34,776)
Net Position, Beginning of Year	631,139
Net Position, End of Year	$ 596,363

Operating Activities	
Cash received from fares	$ 40,995
Payments to vendors for services	(504,999)
Net Cash used in Operating Activities	(464,004)
Non-Capital Financing Activities	
Operating grants received	482,242
Net Cash Provided by Non-Capital Financing Activities	482,242
Capital and Related Financing Activities	
Capital grants received	23,559
Net Cash used by Capital and Related Financing Activities	23,559
Investing Activities	
Interest received	80
Net Increase in Cash and Cash Equivalents	41,877
Cash and Cash Equivalents, Beginning of Year	137,451
Cash and Cash Equivalents, End of Year	$ 179,328
Reconciliation of Operating (Loss) to Net Cash used in Operating Activities	
Operating Income (Loss)	$ (554,701)
Adjustments to Reconcile Operating (Loss) to Net Cash Used in Operating Activities	
Depreciation expense	58,335
Changes in assets and liabilities	
(Increase) / Decrease in assets	
Accounts receivable	5,647
Increase / (Decrease) in liabilities	
Accounts payable	26,715
Total adjustments	90,697
Net Cash used in Operating Activities	$ (464,004)

Note 1 - General Information

The financial statements are intended to reflect the financial position and changes in financial position and cash flows of the Needles Transit Fund (Transit 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) and changes in financial position, or, where applicable, its cash flows thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Article 8

San Bernardino County Transportation Authority (SBCTA) receives and passes through Transportation Development Act (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.

The City utilizes these TDA Article 8 funds to provide operation and maintenance for the transit system. The funding is also used to purchase assets related to transportation, such as buses, bus benches, bus shelters, bus stop signs and fareboxes.

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 need is determined by SBCTA.

Note 2 - Significant Accounting Policies

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

Fund Accounting

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 liabilities, obligations, net position segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Transit Fund is accounted for within a separate enterprise fund of the City.

Measurement Focus and Basis of Accounting

The Transit Fund is 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, regardless of the timing of the related cash flows.

Cash and cash equivalents

Cash and cash equivalents are pooled in the City's investment pool to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Transit Fund based upon the average cash balance. The investment policies and the risks related to the Transit 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 the City's Administrative Office at 817 Third Street, Needles, California 92363. For the purpose of the statement of cash flows, amounts maintained in the City's investment pool are considered cash and cash equivalents. The cash and cash equivalents balance at June 30, 2022 was $11,935,392 for the City, of which $179,328 was reported in the Fund.

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 Transit Fund's deposits and withdrawals in the City Investment Pool are made on the basis of $1 and not fair value. Accordingly, the Transit Fund's investment in the City Investment Pool is measured based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

Grants

Grants for operating assistance and capital acquisitions are included in revenue in the period in which the grant was earned. Federal capital grant funds claimed on a reimbursement basis have receivables for grant funds recorded as the related obligations are incurred. Capital grant funds advanced but not yet earned are treated as unearned revenues. Also, operating funds advanced from 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 are recorded as capital contributions.

Capital assets

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

Passenger facilities	5 to 10 years
Equipment	5 years
Vehicles	5 years

Contributed capital assets are valued at their acquisition value at the date of the contribution. The Transit Funds' capitalization threshold is $5,000 with an expected useful life of three years or more. 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.

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. Accordingly, actual results could differ from those estimates.

Operating and Non-Operating Revenue

The Transit Fund distinguishes operating revenues from non-operating items. Operating revenues generally result from directly providing services in connection with the Transit Fund's principal operation of bus transit services. These revenues are primarily passenger fares. Non-operating revenues consist of federal, state and local operating grants and investment income.

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

Operating and Non-Operating Expenses

Operating expenses include operations, maintenance, and administrative expenses and depreciation on capital assets. Expenses not meeting this definition are reported as non-operating expenses.

Net Position

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

Governmental Accounting Standards Board (GASB) Pronouncements

Effective in Current Fiscal Year

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The Statement is effective for the reporting periods beginning after June 15, 2021. The Transit Fund implemented this Statement effective July 1, 2021. This Statement did not have a material impact to the Transit Fund's financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The Statement is effective for the reporting periods beginning after December 15, 2020. The Transit Fund implemented this Statement effective July 1, 2021. This Statement did not have a material impact to the Transit Fund's financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The Statement is effective for periods beginning after June 15, 2021. The Transit Fund implemented this Statement effective July 1, 2021. This Statement did not have a material impact to the Transit Fund's financial statements.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The Statement is effective for periods beginning after June 15, 2021. The Transit Fund implemented this Statement effective July 1, 2021. This Statement did not have a material impact to the Transit Fund's financial statements.

GASB Statement No. 97 – In June 2020, 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 Statement is effective for periods beginning after June 15, 2021. The Transit Fund implemented this Statement effective July 1, 2021. This Statement did not have a material impact to the Transit Fund's financial statements.

Effective in Future Years

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The Statement is effective for periods beginning after December 15, 2021. The Transit Fund has not yet determined the effect on the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The Statement is effective for periods beginning after June 15, 2022. The Transit Fund has not yet determined the effect on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The Statement is effective for periods beginning after June 15, 2022. The Transit Fund has not yet determined the effect on the financial statements.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITA's are effective for fiscal years beginning after June 15, 2022. The Transit Fund has not yet determined the effect on the financial statements.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The Statement is effective for periods beginning after June 15, 2023. The Transit Fund has not yet determined the effect on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The Statement is effective for periods beginning after December 15, 2023. The Transit Fund has not yet determined the effect on the financial statements.

Note 3 - Federal, State and Local Grants

Federal Assistance

Under the provision of the Federal Transit Authority (FTA), funds are available to the City for preventative maintenance, operating, security and various capital costs. Total FTA revenues recognized during the fiscal year were $257,280.

Note 4 - Transportation Development Act Requirements

The Transit Fund 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.

The Transit Fund 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 the City and approved by SBCTA.

The Transit Fund also 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 FTA. Expenses of Federal operating assistance funds are subject to final audit and approval by the FTA.

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 June 30, 2022 is as follows:

	Operating Funds
Beginning balance, July 1, 2021	$ 4,973
Gross receipts	
Local Transportation Fund, Article 8	261,902
Federal Transit Administration Section 5311	62,366
Federal Transportation Admin, CARES Section 5311	194,914
State Transit Assistance Fund - Operations	8,386
Measure I	23,203
Interest income	80
State Transit Assistance Fund - Capital	1,467
Miscellaneous	12
Fares	40,995
Total gross receipts	593,325
Operating Expenses, Less Depreciation	537,361
Receipts Over/(Under) Expenses In Current Period	55,964
Amount Unearned At June 30, 2022	$ 60,937

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.

C. Section 99268.19

Section 99268.19 indicates that if fare revenues are insufficient to meet the applicable ratio of fare revenues to operating cost, an operator may satisfy that requirement by supplementing its fare revenues with local funds. "Local funds" means revenues derived from taxes imposed by the operator or by a county transportation commission created pursuant to Division 12 (commencing with Section 130000) of the Public Utilities Code.

The fare ratio as of June 30, 2022, is calculated as follows:

Operating Expenses	$	595,696
Less Depreciation		(58,335)
Adjusted Operating Expenses	$	537,361
Fare Revenue	$	40,995
Local Funds (Measure I) Used By The Operator To Supplement Fare Box Revenues to Satisty the 10% Fare Ratio As Permitted By Section 99268.19	$	23,203
Adjusted Fare Revenue	$	64,198
Fare Ratio		11.95%

Note 5 - Capital Assets

Capital asset activity for the fiscal years ended June 30, 2022, is as follows:

	Beginning Balance July 01, 2021	Additions	Deletions	Ending Balance June 30, 2022
Depreciable Assets				
Passenger facilities	$ 495,829	$ -	$ -	$ 495,829
Vehicles	401,512	-	-	401,512
Total depreciable assets	897,341	-	-	897,341
Accumulated Depreciation				
Passenger facilities	(99,951)	(21,760)	-	(121,711)
Vehicles	(328,361)	(36,576)	-	(364,937)
Total accumulated depreciation	(428,312)	(58,336)	-	(486,648)
Net depreciable assets	469,029	(58,336)	-	410,693
Total capital assets, net	$ 469,029	$ (58,336)	$ -	$ 410,693

Note 6 - Commitments

On September 10, 2019, the City Council approved a contract with Transportation Concepts to provide operations of local fixed and deviated route transit services and seasonal routes for the period starting October 1, 2019 to June 30, 2023. The contract has two (2) two-year extension periods that could be exercised by mutual agreement of both parties without holding proposal procedures.

Combining Schedule of Enterprise Sub-Funds
June 30, 2022

Needles Transit Fund

	Dial-A-Ride Transit	Dial-A-Ride Medical	Needles Area Transit	Total
Assets				
Current assets				
Cash and cash equivalents	$ 21,374	$ 43,145	$ 114,809	$ 179,328
Due from other governments	8,145	-	107,321	115,466
Total current assets	29,519	43,145	222,130	294,794
Capital assets				
Depreciable	143,370	-	753,971	897,341
Accumulated depreciation	(143,370)	-	(343,278)	(486,648)
Total capital assets, net	-	-	410,693	410,693
Total assets	29,519	43,145	632,823	705,487
Liabilities				
Current liabilities				
Accounts payable	6,030	2,369	39,788	48,187
Unearned revenues	54,255	6,682	-	60,937
Total liabilities	60,285	9,051	39,788	109,124
Net Position				
Investment in capital assets	-	-	410,693	410,693
Unrestricted	(30,766)	34,094	182,342	185,670
Total net position	$ (30,766)	$ 34,094	$ 593,035	$ 596,363

	Dial-A-Ride Transit	Dial-A-Ride Medical	Needles Area Transit	Total
Operating Revenues				
Fares	$ 5,315	$ 1,361	$ 34,319	$ 40,995
Operating Expenses				
Operations	65,555	21,208	400,998	487,761
Maintenance	159	159	4,950	5,268
General and administration	10,034	4,362	29,936	44,332
Depreciation	-	-	58,335	58,335
Total operating expense	75,748	25,729	494,219	595,696
Operating (Loss)	(70,433)	(24,368)	(459,900)	(554,701)
Non-Operating Revenues and Expenses				
Local Transportation Fund Article 8	-	29,972	184,115	214,087
Federal Transit Administration Section 5311	-	-	62,366	62,366
Federal Transit Administration CARES Section 5311	-	-	194,914	194,914
State Transit Assistance Fund	-	1,704	-	1,704
Measure I - Senior and Handicapped Subsidy	23,203	-	-	23,203
Interest income	-	-	80	80
Miscellaneous	-	-	12	12
Total non-operating revenues (expenses)	23,203	31,676	441,487	496,366
Income (Loss) Before Capital Contributions	(47,230)	7,308	(18,413)	(58,335)
Capital Contributions				
State of Good Repair	-	-	8,559	8,559
MDAQMD AB 2766	-	-	15,000	15,000
Total capital contributions	-	-	23,559	23,559
Change in Net Position	(47,230)	7,308	5,146	(34,776)
Net Position, Beginning of Year	16,464	26,786	587,889	631,139
Net Position, End of Year	$ (30,766)	$ 34,094	$ 593,035	$ 596,363

	Dial-A-Ride Transit	Dial-A-Ride Medical	Needles Area Transit	Total
Operating Activities				
Cash received from fares	$ 5,315	$ 1,361	$ 34,319	$ 40,995
Payments to vendors for services	(25,281)	(19,820)	(459,898)	(504,999)
Net Cash Used In Operating Activities	(19,966)	(18,459)	(425,579)	(464,004)
Non-Capital Financing Activities				
Operating grants received	23,203	35,527	423,512	482,242
Net Cash Used In Non-Capital Financing Activities	23,203	35,527	423,512	482,242
Capital and Related Financing Activities				
Capital grants received	-	-	23,559	23,559
Net Cash Provided by Capital and Related Financing Activities	-	-	23,559	23,559
Investing Activities				
Interest received	-	-	80	80
Net Cash Provided By Investing Activities	-	-	80	80
Net Increase In Cash and Cash Equivalents	3,237	17,068	21,572	41,877
Cash and Cash Equivalents, Beginning of Year	18,137	26,077	93,237	137,451
Cash and Cash Equivalents, End of Year	$ 21,374	$ 43,145	$ 114,809	$ 179,328
Reconciliation of Cash and Cash Equivalents to Statement of Financial Position				
Cash and Cash Equivalents	$ 21,374	$ 43,145	$ 114,809	$ 179,328
Total Cash and Cash Equivalents	$ 21,374	$ 43,145	$ 114,809	$ 179,328
Reconciliation of Operating (Loss) to Net Cash Used in Operating Activities				
Operating Income (Loss)	$ (70,433)	$ (24,368)	$ (459,900)	$ (554,701)
Adjustments To Reconcile Operating (Loss) to Net Cash Used in Operating Activities				
Depreciation expense	-	-	58,335	58,335
Changes in assets and liabilities				
(Increase) / decrease in assets				
Accounts receivable	5,647	-	-	5,647
Increase / (decrease) in liabilities				
Accounts payable	44,820	5,909	(24,014)	26,715
Total adjustments	50,467	5,909	34,321	90,697
Net Cash used in Operating Activities	$ (19,966)	$ (18,459)	$ (425,579)	$ (464,004)

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

To the Board of Directors
San Bernardino County Transportation Authority
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 the Needles Transit Fund (Transit Fund), an enterprise fund of the City of Needles, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Transit Fund's basic financial statements and have issued our report thereon dated December 22, 2022. Our report included an emphasis of matter regarding that the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Transit Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Transit Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit Fund'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 or significant deficiencies may exist that have not been identified.

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transit Fund'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 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 determination of 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

CONNECTING OUR COMMUNITY

OmniTrans, San Bernardino, CA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
Fiscal Year Ended June 30, 2022
With Comparative Totals for June 30, 2021

OmniTrans

Members of the Board of Directors and employees of Omnitrans:

We are pleased to present Omnitrans' Annual Comprehensive Financial Report (ACFR) for Fiscal Year (FY) ended June 30, 2022. The financial statements are presented in conformity with generally accepted accounting principles and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

As we began the 2021-2022 fiscal year, post-pandemic challenges persisted as the tight labor market impacted the agency's ability to restore service to pre-pandemic levels. Like transit agencies across the country, this and other lingering pandemic impacts have resulted in greatly reduced ridership.

Despite these on-going challenges, Omnitrans remained focused on the future by moving Board approved Strategic Plan Initiatives and priorities forward. Highlights of significant accomplishments include:

- *Continued focus on organizational and workforce development initiatives, including initiating an agency-wide culture and climate evaluation and developing a maintenance apprenticeship program in collaboration with San Bernardino Valley College.*
- *Expanded regional transit connectivity with the addition of microtransit service to the city of Bloomington and first-last mile shuttle services in downtown San Bernardino and between the Rancho Cucamonga Metrolink station and Ontario International Airport.*
- *Implemented the Zero Emission Bus Roll Out Plan with award of $9 million competitive grant under the Federal Low and No Emission program and $1 million ENERgize grant to purchase 4 hydrogen fuel cell buses and fueling infrastructure.*
- *Continued the Free Fares for School program, positively impacting the community by providing 513,000 free rides to K-12 students throughout our service area during this fiscal year.*

These accomplishments would not be possible without the leadership and support of the Omnitrans Board of Directors, partnership with the San Bernardino County Transportation Authority, and the tireless efforts of our employees. Omnitrans is well positioned for the future, as State and Federal policy and funding priorities are well aligned with Omnitrans' mission: to connect our community with coordinated and sustainable transit service and the agency vision to provide innovative mobility solutions that connect our region and strengthen the economy.

Sincerely,

Erin Rogers

Erin Rogers

CEO/General Manager

OMNITRANS

San Bernardino, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2022

(With Independent Auditor’s Report Thereon)

OmniTrans

Connecting Our Community

Prepared by the Finance Department

MAURICE A. MANSION

Director of Finance

TABLE OF CONTENTS

INTRODUCTORY SECTION

December 22, 2022

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

California Government Code sections 25250 and 25253 require that every general-purpose local government publish within six 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, 2022.

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, 2022, 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, 2022, 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

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 the Agency. Our primary focus is the planning, securing, and controlling of Omnitrans' financial resources.

Omnitrans takes great pride in the fact that previously issued ACFRs 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 eighteen (18) times. Omnitrans' prior year submission has once again been awarded this certification. These prior awards 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 controls are supported by written policies and procedures and is continually reviewed, evaluated, and modified to meet current needs.

Local Economy

Omnitrans' service area is located within the Metropolitan Statistical Area (MSA) of San Bernardino County and Riverside County (Inland Empire). Economic activity within the Inland Empire has slowed, but continues to recover from the pandemic. According to the UCR School of Business Center for Economic Forecasting and Development, in the second quarter of 2022 activity in the area increased by 1.6%, while U.S. GDP contracted by 0.6% during the same period. The short-term outlook for the Inland Empire remains positive, with local business activity forecast to rise between 2% and 3% over the next 12 months.

As of October 2022, the unemployment rate in the local area was recorded as 3.9%. This is down from a last year's rate of 6.1%. As the Inland Empire is a strategic location for goods distribution, the increase in e-commerce has been a boon to the local area. This has been a steady driver of employment in the area.

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 expenditures. 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. California's Senate Bill (SB) 1 - The Road Repair and Accountability Act of 2017**,** provided 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, freeways, and bridges in communities across California and puts more dollars toward transit and safety.

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:

- Bipartisan Infrastructure Law – signed by President Biden in 2022 this is a once-in-a generation investment in the nation's infrastructure. The new law provides $39 billion of new investment to modernize transit and $89.9 billion in guaranteed funding for public transit over the next five years. This is the largest Federal investment in public transit history. Omnitrans is expected to see an increase in Federal funding from this law going forward.

- Fixing America's Surface Transportation Act (FAST Act) – signed by President Obama in 2015 and reauthorized during Federal Fiscal Year 2021 is the first law enacted in over ten years that provides long-term funding certainty for surface transportation. The law grants FTA authority to strengthen the safety of public transportation systems throughout the United States. It also provides a steady and predictable funding stream for five years. Omnitrans Federal funding for Fiscal Year 2022 was derived from this source.

- 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 the industry to bring the nation's transit infrastructure into the 21st Century.

- The California Air Resources Board (CARB) adopted the Innovative Clean Transit regulation, the ICT regulation, which has been in development since spring 2015. It 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. Omnitrans has developed a ZEB transition plan to meet this requirement.

Awards and Acknowledgements

Omnitrans was honored to receive the prestigious American Public Transportation Association 2021 Excellence in the Public Transportation Security Gold Award. Called the “best of the best” of the public transportation industry, the award recognizes public transit providers for innovative and proactive safety and security programs. It 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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. 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 ACFR.

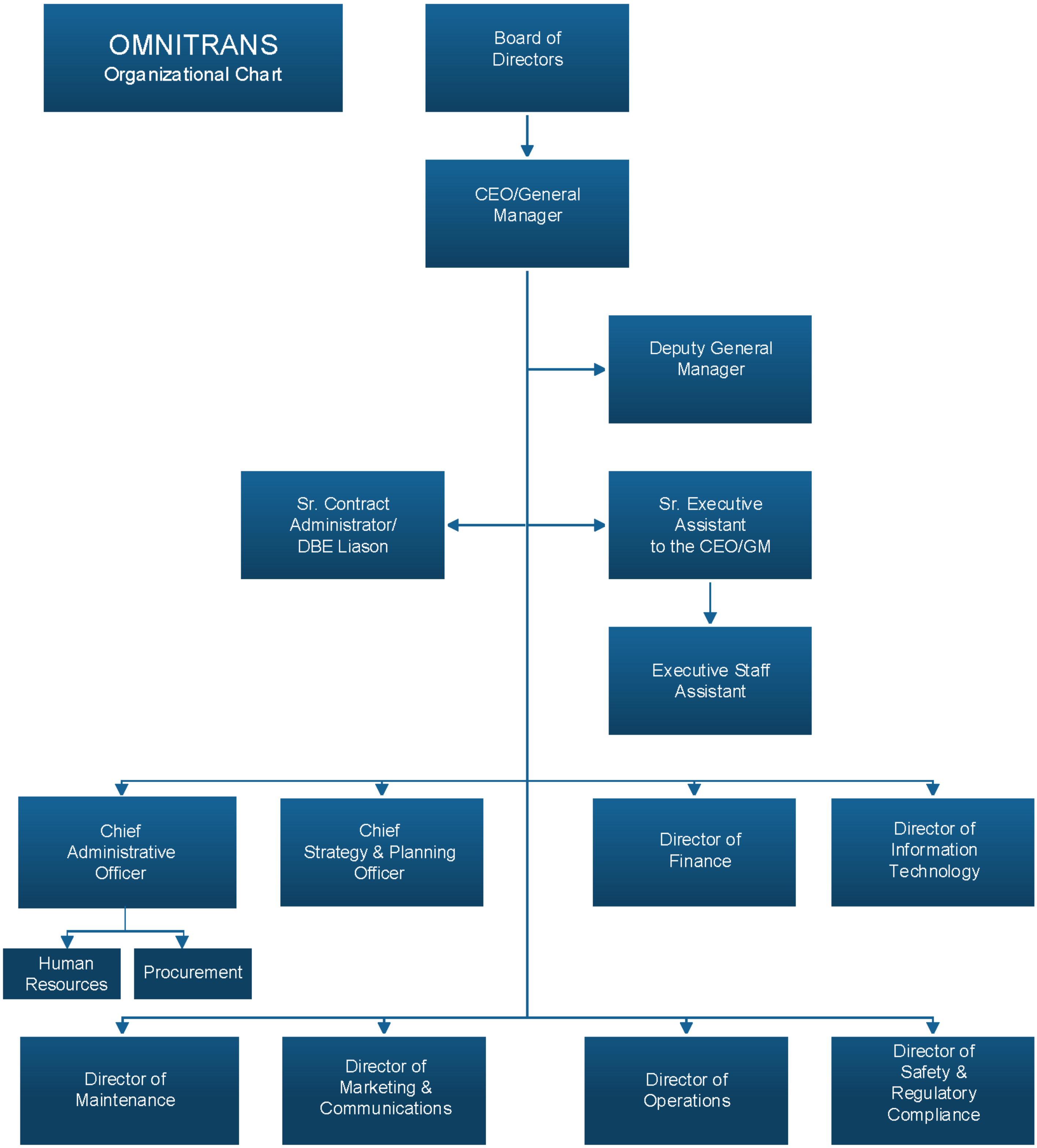
Omnitrans’ Procurement Department received the Achievement of Excellence in Procurement (AEP) award for 2020. The AEP is awarded annually by the National Procurement Institute (NPI) to public and non-profit organizations throughout the United States and Canada who demonstrate innovation, professionalism,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

Omnitrans’ Marketing & Communications Department earned an AdWheel Grand Award for Best Social Media to Support Ridership in its Hispanic campaign to promote transit to a key demographic community. AdWheels are awarded annually by the American Public Transportation Association to recognize marketing and communications efforts and raise awareness of the value of marketing in the industry.

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 Charles De Simoni, CPA, CGMA, CGFM, Accounting Manager. We wish also to express our appreciation to Erin Rogers, our CEO/General Manager, and the Omnitrans Board of Directors and members of its Administrative and Finance Committee for their support.

Respectfully submitted,

Maurice Mansion
Director of Finance, OMNITRANS


OMNITRANS
Organizational Chart
Board of Directors
CEO/General Manager
Deputy General Manager
Sr. Contract Administrator/ DBE Liason
Sr. Executive Assistant to the CEO/GM
Executive Staff Assistant
Chief Administrative Officer
Chief Strategy & Planning Officer
Director of Finance
Director of Information Technology
Human Resources
Procurement
Director of Maintenance
Director of Marketing & Communications
Director of Operations
Director of Safety & Regulatory Compliance

OMNITRANS SENIOR LEADERSHIP TEAM
(As of December 30, 2022)

Erin Rogers
CEO/General Manager

Suzanne Pfeiffer
Chief Administrative Officer

Jeremiah Bryant
Chief Strategy and Planning Officer

Maurice Mansion
Director of Finance

Alex Chen
Director of Information Technology

Connie Raya
Director of Maintenance

Nicole Ramos
Director of Marketing & Communications

Les Belton
Director of Operations

(Vacant)
Director of Safety & Regulatory Compliance

BOARD MEMBERS

John Dutrey – Chair
City of Montclair

Darcy McNaboe – Vice Chair
City of Grand Terrace

Janice Rutherford
County 2nd District

Dawn Rowe
County 3rd District

Curt Hagman
County 4th District

Joe Baca Jr.
County 5th District

Eunice Ulloa
City of Chino

Cynthia Moran
City of Chino Hills

Frank Navarro
City of Colton

BOARD MEMBERS

John Roberts
City of Fontana

Penny Lilburn
City of Highland

Ron Dailey
City of Loma Linda

Alan Wapner
City of Ontario

Lynne Kennedy
City of Rancho Cucamonga

Denise Davis
City of Redlands

Rafael Trujillo
City of Rialto

John Valdivia
City of San Bernardino

Bill Velto
City of Upland

David Avila
City of Yucaipa

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

OMNITRANS
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

PROFILE OF OMNITRANS

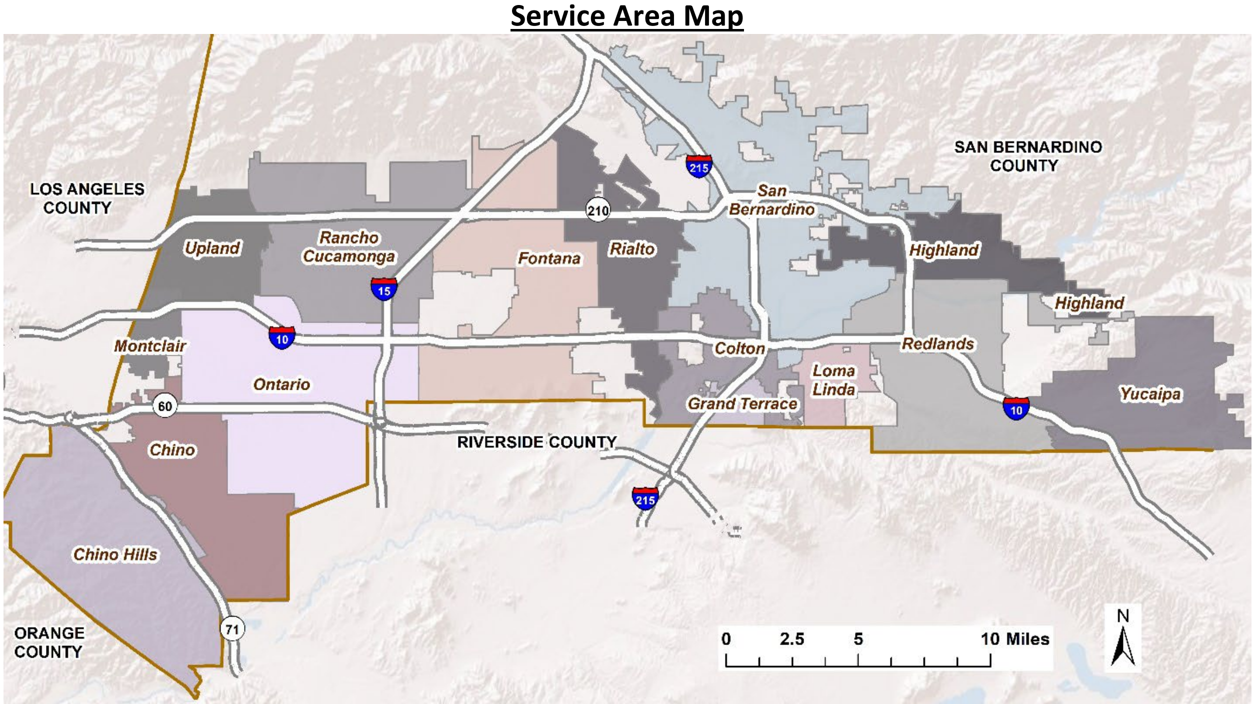
Omnitrans was founded in 1976 under a Joint Powers Agreement to provide transportation service to the San Bernardino Valley. Omnitrans is the major public transportation provider in the San Bernardino Valley, with a service area of approximately 456 square miles, serving fifteen municipalities, and many 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 2022, Omnitrans had a budgeted staff of 570 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. Mobility Services
8. Operations
9. Procurement
10. Safety & Security
11. 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 a reduced service level during FY2022 due to the COVID-19 pandemic and the subsequent tight labor market. In May 2021, Omnitrans adopted a 7-step service resumption plan which gradually reintroduces service levels based on a series of triggers. At the conclusion of FY2022, Omnitrans was operating 72% of regularly planned service.
- At the close of FY2022, Omnitrans directly operated 21 traditional local fixed routes and three contracted local community circulator routes in addition to sbX and one Freeway

Express route described below. One freeway express route was temporarily suspended due to labor shortages.

- Local routes typically operate at 15- to 70-minute intervals depending on passenger demand and density of activity along the route.
- All local and community circulator 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 in operation with service beginning at approximately 5:00 AM and ending at 11:00 PM. On Sundays there are 21 routes 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, Beaumont Transit, Sunline Transit Agency, 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 FY2022, the sbX Green Line operated on weekdays from 5:00 AM to 11:00 PM with 20-minute service on weekdays and 30-minute service Saturdays. Prior to the pandemic, sbX operated 10-minute peak and 15-minute off-peak service on weekdays and 20-minute service on Saturdays.
- 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 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. This route travels Interstate 215. During FY2021, the route operated 30-minute peak and 60-minute off-peak service on weekdays and hourly service on weekends.
- Route 290 was temporarily suspended during FY2022 due to workforce shortages. When the route is resumed it 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.

OmniRide

- In August 2021, Omnitrans introduced its second OmniRide microtransit service, OmniRide Upland. In January 2022, Omnitrans introduced its third OmniRide service, OmniRide Bloomington. OmniRide Bloomington was partially funded through a Clean Mobility Options Voucher.
- OmniRide is a microtransit service with on-demand, reservation-based transportation. Customers can reserve rides on an app, then be picked up and dropped off at the locations of their choosing within the service area boundaries.
- Omnitrans partners with First Transit and RideCo to deliver the service. First Transit provides the vehicles and drivers, while RideCo is the technology provider.

FY22 Fixed-Route Service Frequency by Route compared to Plan

FY22 Fixed-Route Service Frequency by Route compared to Plan							
Route	Route Name	Service Days/Frequency					
		Weekday		Saturday		Sunday	
		Planned	FY2022	Planned	FY2022	Planned	FY2022
1	ARMC - San Bernardino - Del Rosa	15	20/30	30	30	30	30
2	Cal State - E Street - Loma Linda	75	75	75	75	75	75
3	Baseline - Highland - San Bernardino	15	20/30	22/25	22/25	22/25	22/25
4	Baseline - Highland - San Bernardino	15	20/30	22/25	22/25	22/25	22/25
6	San Bernardino - Sierra Way - Cal State	30	60	60	60	60	60
8	San Bernardino - Mentone – Crafton Hills	30/60	60	60	60	60	60
10	Fontana - Baseline - San Bernardino	30/60	60	60	60	60	60
14	Fontana - Foothill - San Bernardino	15	20/30	20	20	20	20
15	Fontana - San Bndo/Highland - Redlands	30	60	60	60	60	60
19	Fontana –Colton-Redlands--Yucaipa	30	30/60	60	60	60	60
22	North Rialto - Riverside Ave - ARMC	30/60	60	60	60	60	60
215	San Bernardino – Riverside	20/30	30	30/60	60	30/60	60
290	San Bernardino-ARMC-Ontario Mills-Montclair Transit Center	AM/PM Peak	Temporary Suspended	*	*	*	*
305	San Bernardino-Waterman-Grand Terrace	60	60	60	60	60	60
312	Fontana-Muscoy-Cal State	60	60	60	60	60	60
319	Yucaipa-Sunnyside-County Line	60	60	*	*	*	*
61	Fontana-Ontario Mills-Pomona	15	20/30	20	30	20	30
66	Fontana-Foothill Blvd.-Montclair	20	20/30	30	30	30	30
67	Chaffey-Baseline-Fontana	60	60	*	*	*	*
81	Chino-Haven-Chaffey College	60	60	60	60	*	*

82	Rancho Cucamonga-Fontana-Sierra Lakes	60	60	70/75	70/75	70/75	70/75
83	Upland-Euclid-Chino	30/60	60	60	60	60	60
84	Upland-Mountain Ave-Chino	60	60	60	60	60	60
85	Chino-Montclair-Chaffey College	30	60	60	60	60	60
87	Chaffey College-Ontario-Eastvale	60	60	60	60	*	*
88	Chino Hills-Ramona Ave-Montclair	60	60	60	60	60	60
sbX	Green Line	10/15	20/30	20	32	*	*
	** No Saturday or Sunday Service (as applicable)*						

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).

Mobility Services

- Through Omnitrans' role at the Coordinated Transportation Services Agency (CTSA), Omnitrans offers Mobility Services for seniors and individuals with disabilities.
- Omnitrans provides and administers a volunteer driver program, travel training, and trip subsidy program with a taxi provider and Lyft.
- Omnitrans also oversees a regional mobility partnership program with cities and local non-profit organizations to deliver coordinated transportation services for seniors and persons with disabilities.

FINANCIAL SECTION

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Directors
Omnitrans
San Bernardino, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Omnitrans as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Omnitrans, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Omnitrans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Omnitrans' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Omnitrans' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Omnitrans' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the 2021 financial statements of Omnitrans and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 is the responsibility of management and, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the CEO's message, introductory section, and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of the 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

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, 2022.

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 2022, the Statement of Net Position presents total net position of $196.2 million. This is a decrease of $3.5 million or 1.8% below the close of the previous fiscal year-end.
- Total assets at fiscal year-end 2022 decreased from $334.3 million to $319.3 million a decrease of $15.0 million or 4.5%. The decrease in Restricted Investments - GMRA accounts for most of the decrease.
- Total liabilities at fiscal year-end 2022 decreased $36.5 million or 25.6% below the previous fiscal year. The main driver behind this was the decrease in Net Pension Liability.
- Total revenues for fiscal year-end June 30, 2022 were $103.9 million compared to $142.5 million for the previous fiscal year. This is a $38.6 million or 27.1% decrease in revenue compared to the previous year.
- Total expenses, including non-operating expenses, for fiscal year-end 2022 excluding depreciation were $84.6 million compared to $130.6. million for the previous fiscal year. This is a decrease of $45.9 million or 35%. The decrease in expenses is associated with cost for the Redlands Passenger Rail Project (Arrow) and pass-thru payments reported.
- Depreciation for fiscal year-end 2022 was $22.8 million compared to $20.9 million for the previous fiscal year. This is an increase of $1.9 million or 9.1%.

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) the business-type activities 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 basic financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

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's net position changed during the fiscal year ended June 30, 2022. 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 notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-36 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Agency's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 37-40.

Financial Statements Analysis

The tables on the following pages summarize revenues, expenses and changes in net position comparing fiscal year 2022 with fiscal year 2021. For additional information regarding the Agencies financial activities for fiscal year ended June 30, 2022, readers are encouraged to read this section in conjunction with the accompanying Notes to the Basic Financial Statements.

Revenues and Expenses

<u>Revenues</u>

Omnitrans total revenues for fiscal year ending June 30, 2022, were $103.9 million compared to $142.5 million for the previous fiscal year-end. This is a $38.6 million or 27.1% decrease compared to last fiscal year-end. Capital Assistance decreased $40.0 million over the previous year principally 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 expenses. 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 receive 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.
- Urbanized Area Formula Program (5310) - funds to provide transportation services to meet the special needs of the elderly and persons with disabilities.
- Urbanized Area Formula Program (5339) - provides funding to states and transit agencies through a statutory formula to replace, rehabilitate and purchase buses and related equipment and to construct bus-related facilities.

- 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.
- 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.
- SB1 – State of Good Repair - provides funding annually to transit operators in California for eligible transit maintenance, rehabilitation and capital projects.
- Low Carbon Transit Operations Program - provides operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities.
- 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 American Rescue Plan Act was passed by Congress and signed by the President in March 2021. The ARP 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, 2022, were $7.7 million compared to $6.6 million for the previous fiscal year. This is an increase of $1.1 million or 16.4%. The increase in passenger fares can be attributed to the slow recovery of ridership from the COVID-19 pandemic.

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 LAIF interest income for fiscal year ended June 30, 2022, was $236.3 thousand compared to $327.8 thousand for the previous fiscal year-end. This was offset by fair value adjustments which resulted in a net loss of $536.7 thousand for the fiscal year.

Revenues from the Compressed Natural Gas (CNG) fuel tax credit for fiscal year ended June 30, 2022, was $525 thousand.

OMNITRANS' Revenues

		Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)	Percent Increase (Decrease)
Passenger fares	$	7,726,741	6,639,109	1,087,632	16.4
Advertising revenue		755,178	645,714	109,464	17.0
Other Transportation Revenue		1,785	23,697	(21,912)	(92.5)
Federal and local operating grants		71,334,095	70,157,677	1,176,418	1.7
Capital assistance		24,026,524	64,027,980	(40,001,456)	(62.5)
Interest Income		(536,684)	(23,485)	(513,199)	2,185.2
CNG fuel tax credit		525,164	966,554	(441,390)	(45.7)
Other non-operating revenues/(expenses)		84,523	43,766	40,757	93.1
Total Revenues	$	103,917,326	142,481,012	(38,563,686)	(27.1)

Expenses

Total expenses for fiscal year-end 2022 were $107.4 million compared to $151.5 million for the previous fiscal year end. This is a $44.1 million or 29.1% decrease in total expenses. Included in total expenses is depreciation ($22.8 million). Also included in expenses is a $14.6 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 decreased from $48.5 million for fiscal year-end 2021 to $37.9 million for fiscal year-end 2022. This is a decrease of $10.6 million or 21.9%. Also included in the $37.9 million expenses is a net $1.3 million credit for the change in the net pension liability.

Purchased transportation services for fiscal year-end 2022 were $9.2 million compared to $8.5 million for the previous year. This is a $0.7 million increase or 8.3%.

General and administrative expenses decreased $1.4 million or 10.8% compared to the previous fiscal year. Total general and administrative expenses for fiscal year-end June 30, 2022, were $11.5 million compared to $12.9 million for the previous fiscal year.

Capital purchases for fiscal year-end 2022 increased $0.8 million compared to the previous year-end. This was due to fewer purchases with capital funds meeting the threshold for capitalization and depreciated over their useful life.

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 pass through to other agencies. 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 decreased $36.1 million or 71.2% compared to the previous fiscal year-end. The significant decrease is related to construction costs associated with the Redlands Passenger Rail Project managed by SBCTA.

OMNITRANS' Expenses

		Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)	Percent Increase (Decrease)
Wages, salaries, and benefits	$	37,919,825	48,536,009	(10,616,184)	(21.9)
Purchased transportation services		9,155,625	8,457,688	697,937	8.3
General and administrative expenses		11,547,668	12,948,652	(1,400,984)	(10.8)
Materials and supplies		5,746,130	4,570,791	1,175,339	25.7
Capital purchases		1,294,577	477,582	816,995	171.1
Professional and technical services		3,332,066	2,492,268	839,798	33.7
Advertising and printing		710,958	685,780	25,178	3.7
Pass-through to other agencies		14,594,588	50,676,427	(36,081,839)	(71.2)
Pass-through to CTSA community partners		-	929,943	(929,943)	(100.0)
Loss on disposal of capital assets		36,718	665,723	(629,005)	(94.5)
Depreciation		22,836,730	20,935,486	1,901,244	9.1
Miscellaneous		244,071	96,124	147,947	153.9
Total Expenses	$	107,418,956	151,472,473	(44,053,517)	(29.1)

Net Position

The Agency's total net position for fiscal year ending June 30, 2022, decreased $3.5 million or 1.8% from fiscal year ended June 30, 2021. Total assets for the fiscal year decreased $15.0 million or 4.5%. This decrease in total assets was due to Omnitrans reduction in noncurrent assets at the end of the reporting period.

Total liabilities decreased $36.5 million or 25.6% compared to the previous fiscal year-end. Current liabilities decreased $3.9 million or 5.1% and long-term liabilities decreased $32.5 million or 50.0%. The decrease of liabilities was mainly driven by the reduction in the net pension liability.

Deferred inflows of resources related to pension as required by GASB 68 increased $21.9 million above the previous fiscal year. For fiscal year ended June 30, 2022, deferred inflows of resources were $23.4 million. The sum of deferred inflows of resources based on changes of assumptions, differences between expected and actual experience, and the net difference between projected and actual earnings on the pension plan investments. In addition, deferred outflows of resources include contribution made after the measurement date. Additional information regarding the Agency's net pension liability can be found in Note 7 in the Notes to the Basic Financial Statements.

OMNITRANS' Statement of Net Position

		Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)	Percent Increase (Decrease)
Assets:					
Current and other assets	$	140,354,046	139,443,692	910,354	0.7
Net Capital Assets		178,969,234	194,852,648	(15,883,414)	(8.2)
Total Assets		319,323,280	334,296,340	(14,973,060)	(4.5)
Deferred outflow of resources:					
Deferred amount on pensions		6,406,243	9,484,425	(3,078,182)	(32.5)
Total Deferred outflow of resources		6,406,243	9,484,425	(3,078,182)	(32.5)
Liabilities:					
Current Liabilities		73,659,958	77,580,677	(3,920,719)	(5.1)
Long-term Liabilities		32,528,156	65,073,270	(32,545,114)	(50.0)
Total Liabilities		106,188,114	142,653,947	(36,465,833)	(25.6)
Deferred inflow of resources:					
Deferred amount on pensions		23,383,687	1,467,466	21,916,221	1,493.5
Total Deferred inflow of resources		23,383,687	1,467,466	21,916,221	1,493.5
Net Position:					
Invested in capital assets		178,969,234	194,852,648	(15,883,414)	(8.2)
Restricted - Capital projects		358,272	314,460	43,812	13.9
Restricted - CTSA activities		5,391,341	5,448,007	(56,666)	(1.0)
Unrestricted		11,438,875	(955,763)	12,394,638	(1,296.8)
Total Net Position	$	196,157,722	199,659,352	(3,501,630)	(1.8)

Changes in Net Position

The following Statement of Revenues, Expenses, and Changes in Net Position table illustrate and compare the various categories of assets, liabilities, and net position for fiscal years 2022 and 2021.

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

	Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)	Percent Increase (Decrease)
Revenues:				
Passenger fares	$ 7,726,741	6,639,109	1,087,632	16.4
Advertising revenues	755,178	645,714	109,464	17.0
Other transportation revenues	1,785	23,697	(21,912)	(92.5)
Total revenues	8,483,704	7,308,520	1,175,184	16.1
Expenses:				
Depreciation and amortization	22,836,730	20,935,486	1,901,244	9.1
Other operating expenses	69,950,920	78,264,894	(8,313,974)	(10.6)
Total expenses	92,787,650	99,200,380	(6,412,730)	(6.5)
Nonoperating Revenue/(Expenses)				
Fed. & local operating grants	71,334,095	70,157,677	1,176,418	1.7
Interest income (loss)	(536,684)	(23,485)	(513,199)	2,185.2
Pass-through to other agencies	(14,594,588)	(50,676,427)	36,081,839	(71.2)
Pass-through to CTSA community partners	-	(929,943)	929,943	(100.0)
Loss on disposal of capital assets	(36,718)	(665,723)	629,005	(94.5)
CNG fuel tax credit	525,164	966,554	(441,390)	(45.7)
Other nonoperating revenues (expenses)	84,523	43,766	40,757	93.1
Total nonoperating revenues	56,775,792	18,872,419	37,903,373	200.8
Income before capital contribution	(27,528,154)	(73,019,441)	45,491,287	(62.3)
Capital contributions				
Capital assistance	24,026,524	64,027,980	(40,001,456)	(62.5)
Total capital contributions	24,026,524	64,027,980	(40,001,456)	(62.5)
Change in net position	(3,501,630)	(8,991,461)	5,489,831	(61.1)
Net position, beginning of year	199,659,352	208,650,813	(8,991,461)	(4.3)
Net position, end of year	$ 196,157,722	199,659,352	(3,501,630)	(1.8)

Capital Assets

On June 30, 2022, the Agency had a total of $179.0 million invested in capital assets. This total represents an overall decrease of $15.9 million or 8.2% below the prior fiscal year-end total of $194.9 million.

OMNITRANS' Capital Assets (net of accumulated depreciation)

		Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)	Percent Increase (Decrease)
Buildings and improvements	$	146,734,562	146,830,058	(95,496)	(0.1)
Operations equipment		139,319,314	135,579,684	3,739,630	2.8
Furniture and office equipment		58,601,369	56,153,563	2,447,806	4.4
Construction in progress		19,161,350	23,500,916	(4,339,566)	(18.5)
Land		5,505,423	5,505,423	0	0.0
Accumulated depreciation		(190,352,784)	(172,716,996)	(17,635,788)	10.2
Total capital assets	$	178,969,234	194,852,648	(15,883,414)	(8.2)

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, 2022, 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 as the agency regains ridership after 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.

	2022	2021
Assets:		
Current Assets:		
Cash and Equivalents	$ 28,074,553	$ 18,761,987
Investments	52,199,945	37,106,591
Receivables:		
Accounts, Net of Allowances	2,215,671	3,079,935
Intergovernmental	22,115,052	36,044,595
Inventory	3,491,888	3,267,553
Prepaid Items	878,040	700,566
Total Current Assets	108,975,149	98,961,227
Noncurrent Assets:		
Restricted Cash and Equivalents - West Valley Connector Project	20,563,743	20,563,489
Restricted Investments - West Valley Connector Project	4,648,269	4,697,119
Restricted Investments - GMRA	775,544	9,773,850
Restricted Investments - CTSA	5,391,341	5,448,007
Capital Assets, Not Depreciated (Note 5)	24,666,773	29,006,339
Capital Assets, Depreciated, Net (Note 5)	154,302,461	165,846,309
Total Noncurrent Assets	210,348,131	235,335,113
Total Assets	319,323,280	334,296,340
Deferred Outflow of Resources:		
Deferred Outflows Related to Pensions (Note 8)	6,406,243	9,484,425
Liabilities:		
Current Liabilities:		
Accounts Payable	12,452,921	24,274,073
Accrued Salaries and Benefits	1,417,219	1,523,425
Unearned Revenue	54,515,145	46,017,518
Compensated Absences Payable - Current Portion (Note 4)	1,231,200	1,269,713
Claims Payable - Current Portion (Note 7)	4,043,473	4,495,948
Total Current Liabilities	73,659,958	77,580,677
Noncurrent Liabilities:		
Unearned Revenue (Note 9)	20,205,471	20,249,029
Compensated Absences Payable (Note 4)	1,980,942	2,200,966
Claims Payable (Note 7)	7,323,430	8,084,777
Net Pension Liability (Note 8)	3,018,313	34,538,498
Total Noncurrent Liabilities	32,528,156	65,073,270
Total Liabilities	106,188,114	142,653,947
Deferred Inflow of Resources:		
Deferred Inflows Related to Pensions (Note 8)	23,383,687	1,467,466
Net Position:		
Net Investment in Capital Assets	178,969,234	194,852,648
Restricted for:		
Capital Projects	358,272	314,460
CTSA Activities	5,391,341	5,448,007
Unrestricted	11,438,875	(955,763)
Total Net Position	$ 196,157,722	$ 199,659,352

See accompanying notes to basic financial statements.

	2022	2021
Operating Revenues		
Passenger fares	$ 7,726,741	$ 6,639,109
Advertising revenue	755,178	645,714
Other transportation revenue	1,785	23,697
Total Operating Revenues	8,483,704	7,308,520
Operating Expenses		
Salaries and benefits	37,919,825	48,536,009
Purchased transportation services	9,155,625	8,457,688
General and administrative	11,547,668	12,948,652
Materials and supplies	5,746,130	4,570,791
Capital purchases	1,294,577	477,582
Professional and technical services	3,332,066	2,492,268
Advertising and printing	710,958	685,780
Depreciation	22,836,730	20,935,486
Miscellaneous	244,071	96,124
Total Operating Expenses	92,787,650	99,200,380
Operating Income/(Loss)	(84,303,946)	(91,891,860)
Nonoperating Revenues/(Expenses)		
Federal and local operating grants	71,334,095	70,157,677
Interest income (loss)	(536,684)	(23,485)
Pass-through to sub-recipients (Note 10)	(14,594,588)	(50,676,427)
Pass-through to CTSA community partners	-	(929,943)
Loss on disposal of capital assets	(36,718)	(665,723)
CNG fuel credit	525,164	966,554
Other nonoperating revenues	84,523	43,766
Total Nonoperating Revenues/(Expenses)	56,775,792	18,872,419
Income/(Loss) Before Capital Contributions	(27,528,154)	(73,019,441)
Capital Contributions		
Capital assistance	24,026,524	64,027,980
Change in Net Position	(3,501,630)	(8,991,461)
Net Position, Beginning of Year	199,659,352	208,650,813
Net Position, End of Year	$ 196,157,722	$ 199,659,352

See accompanying notes to basic financial statements.

	2022	2021
Cash Flows from Operating Activities		
Cash received from customers	$ 8,483,704	$ 7,308,520
Nonoperating miscellaneous receipts	609,687	1,010,320
Cash payments to suppliers for goods and services	(45,467,878)	(16,921,679)
Cash payments to employees for services	(44,810,350)	(42,280,500)
Net cash used for operating activities	(81,184,837)	(50,883,339)
Cash Flows from Noncapital Financing Activities		
Federal, state, and local operating grants	72,198,359	70,126,014
Pass-through payments to other agencies	(14,594,588)	(51,606,370)
Net cash provided by non-capital financing activities	57,603,771	18,519,644
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(6,990,034)	(13,787,591)
Capital grants received	46,410,136	78,266,185
Net cash provided by (used) capital and related financing activities	39,420,102	64,478,594
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	9,103,822	11,057,577
Purchase of investments	(15,093,354)	(28,480,470)
Interest received (loss)	(536,684)	(23,485)
Net cash used by investing activities	(6,526,216)	(17,446,378)
Net increase (decrease) in cash and cash equivalents	9,312,820	14,668,521
Cash and Cash Equivalents, Beginning of Year	39,325,476	24,656,955
Cash and Cash Equivalents, End of Year	$ 48,638,296	$ 39,325,476
Reconciliation of Cash and Cash Equivalents to Amounts Reported on Statement of Net Position		
Cash and equivalents	$ 28,074,553	$ 18,761,987
Restricted cash and equivalents	20,563,743	20,563,489
Cash and Cash Equivalents, End of Year	$ 48,638,296	$ 39,325,476

(Continued)

See accompanying notes to basic financial statements.

	2022	2021
Reconciliation of Operating Loss to Net Cash used for Operating Activities:		
Operating loss	$ (84,303,946)	$ (91,891,860)
Adjustments to net cash used by operating activities:		
Pension expense	(6,525,782)	5,153,015
Depreciation	22,836,730	20,935,486
Nonoperating miscellaneous income	609,687	1,010,320
(Increase) in inventory	(224,335)	(171,126)
(Increase) decrease in prepaid items	(177,474)	131,856
Increase (decrease) in accounts payable	(11,821,152)	12,846,476
Increase (decrease) in salaries and benefits payable	(106,206)	104,334
(Decrease) in compensated absences payable	(258,537)	(80,654)
Increase (decrease) in claims payable	(1,213,822)	1,078,814
Net Cash used for Operating Activities	$ (81,184,837)	$ (50,883,339)

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 at cost based on specific identification in the course of Omnitrans’ operations. The value of parts and fuel held in storage as of June 30, 2022 was $3,491,888.

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:

Category	Number of Years
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 financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Omnitrans has one item that qualifies for reporting in this category. It is the deferred outflows related to pensions.

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Omnitrans has one item that qualifies for reporting in this category. It is the deferred inflows related to pensions. 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 $3,212,142 at June 30, 2022.

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 administrating 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, 2022, Omnitrans reported $358,272 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 #8 for additional information.

As of June 30, 2022, Omnitrans reported $5,391,341 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. 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 beginning after June 15, 2021. Omnitrans implemented this statement effective July 1, 2021 and determined that there was no material impact on Omnitrans' financial statements.

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 implemented this statement effective July 1, 2021 and determined that there was no material impact on Omnitrans' 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 determined that there was no material impact on Omnitrans' 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 beginning after June 15, 2021. Omnitrans has determined that there was no material impact on Omnitrans' 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. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after June 15, 2021. Omnitrans has determined that there was no material impact on Omnitrans' financial statements.

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 determined that there was no material impact on Omnitrans' financial statements.

Effective in Future Fiscal Years

The GASB has issued the following pronouncements that have effective dates which may impact future financial statement presentation. Omnitrans has not determined the effect of the following Statements:

GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements.
GASB Statement No. 96 - Subscription-Based Information Technology Arrangements.
GASB Statement No. 99 - Omnibus 2022
GASB Statement No. 100 - Accounting Changes and Error Corrections
GASB Statement No. 101 - Compensated Absences

Note 2 – Cash and Investments

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	$ 9,200
Deposits with financial institutions	28,065,353
Investments with LAIF	52,199,945
Restricted deposits with financial institutions	20,563,743
Restricted investments with LAIF	10,815,154
	$ 111,653,395

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, 2022. 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, 2022 of $63,015,099 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. Of the $63,015,099 investments in LAIF, $4,648,269 is restricted for the West Valley Connector Project, $775,544 is restricted for Caltrans projects, and $5,391,341 is restricted for Consolidated Transportation Services Agency activities.

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

The table on the following page 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	None	None
Reverse Repurchase Agreements	Yes	92 days	20%	None
Medium - Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	$75 million per acct.

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 $63,015,099.

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, 2022, Omnitrans had deposits held at one bank that were $49,227,071 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 $63,015,099 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, 2022 were 26.61 percent for general public transit service, and 24.87 percent for specialized service for the elderly and handicapped. Omnitrans' ratios for the fiscal year ended June 30, 2022 were calculated as follows:

	General Transit	Special Transit	Total
Operating expenses	$ 78,530,353	$ 12,514,645	$ 91,044,998
Less: Depreciation	(21,599,584)	(1,237,146)	(22,836,730)
Adjusted operating expenses	$ 56,930,769	$ 11,277,499	$ 68,208,268
Fare revenue	$ 7,136,765	$ 1,712,100	$ 8,848,865
Local Funds (Measure I) used by the operator to supplement fare box revenues to satisfy the fare ratio as permitted by section 99268.19	8,012,333	1,092,591	9,104,924
Adjusted fare revenue	$ 15,149,098	$ 2,804,691	$ 17,953,789
Fare ratio	26.61%	24.87%	26.32%
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, 2022, Omnitrans recognized operating revenue and capital assistances for TDA funds in the amounts of $0 and $1,211,671 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 Transpiration 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, 2022, Proposition 1B cash receipts and cash disbursements were as follows:

Unspent Proposition 1B funds as of June 30, 2021	$ 7,224,060
Proposition 1B expenses incurred during the fiscal year ended June 30, 2022	(2,956,320)
Interest revenue earned on unspent Proposition 1B funds during the fiscal year ended June 30, 2022	6,354
Change in fair market value of investments held during the year ended June 30, 2022	(7,134)
Unspent Proposition 1B funds as of June 30, 2022	$ 4,266,960

The amount of unspent Proposition 1B funds noted above is included in unearned revenue on the Statement of Net Position as of June 30, 2022.

American Rescue Plan Act of 2021

Through the American Rescue Plan Act of 2021 (ARPA), the Federal Transit Administration provided $30.46 billion in overall funding for public transportation to remain available until September 30, 2024. All funds are available at 100% federal share for payroll and operations costs of public transit during the public health emergency. For the fiscal year ended June 30, 2022, Omnitrans incurred eligible expenses and recognized $51,983,751 of ARPA revenue.

State of Good Repair

Senate Bill (SB) 1, the Road Repair and Accountability Act of 2017 (State of Good Repair), 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. During the fiscal year ended June 30, 2022, State of Good Repair cash receipts and cash disbursements were as follows:

Unspent State of Good Repair (SGR) funds as of June 30, 2021	$ 4,070,512
SGR funds received during the fiscal year ended June 30, 2022	3,619,542
SGR expenses incurred during the fiscal year ended June 30, 2022	(1,531,199)
Interest revenue earned on unspent SGR funds funds during the fiscal year ended June 30, 2022	2,184
Unspent SGR funds as of June 30, 2022	$ 6,161,039

Operating Assistance

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

Federal Assistance	$ 5,764,685
ARPA	51,983,751
Measure I	9,104,925
Measure I Demand Response	125,035
Measure I CTSA	920,000
Low Carbon Fuel Standard (Operating)	2,045,651
Low Carbon Transit Operating Program	1,372,604
Other	17,444
	$ 71,334,095

Capital Contributions

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

Federal Assistance	$ 15,895,722
LTF - TDA	142,487
STAF - TDA	1,069,184
Prop 1B	2,956,320
Measure I Capital Reimbursements	2,761,180
Other	1,201,631
	$ 24,026,524

Note 4 – Long-Term Liabilities

During the year ended June 30, 2022, in addition to Net Pension Liability discussed in Note 7, Omnitrans had the following changes in long-term liabilities:

	Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022	Due Within One Year	Amount Due Beyond One Year
Compensated absences	$ 3,470,679	$ 1,860,881	$ (2,119,418)	$ 3,212,142	$ 1,231,200	$ 1,980,942
Claims payable	12,580,725	4,947,823	(6,161,645)	11,366,903	4,043,473	7,323,430
Total Long-Term Liabilities	$ 16,051,404	$ 6,808,704	$ (8,281,063)	$ 14,579,045	$ 5,274,673	$ 9,304,372

Note 5 – Capital Assets

	Balance at June 30, 2021	Additions	Retirements	Balance at June 30, 2022
Capital Assets, Not Depreciated				
Land	$ 5,505,423	$ -	$ -	$ 5,505,423
Construction in progress	23,500,916	7,968,915	(12,308,481)	19,161,350
Total assets, not depreciated	29,006,339	7,968,915	(12,308,481)	24,666,773
Capital Assets, Depreciated				
Buildings and improvements	146,830,058	107,864	(203,360)	146,734,562
Operations equipment	135,579,684	8,917,878	(5,178,248)	139,319,314
Furniture and office equipment	56,153,563	2,471,564	(23,758)	58,601,369
Total capital assets, depreciated	338,563,305	11,497,306	(5,405,366)	344,655,245
Less Accumulated Depreciated for				
Buildings and improvements	(58,281,586)	(6,107,734)	203,363	(64,185,957)
Operations equipment	(70,680,224)	(13,180,600)	4,973,821	(78,887,003)
Furniture and office equipment	(43,755,186)	(3,548,396)	23,758	(47,279,824)
Total accumulated depreciation	(172,716,996)	(22,836,730)	5,200,942	(190,352,784)
Total capital assets, depreciable, net	165,846,309	(11,339,424)	(204,424)	154,302,461
Capital assets, net	$ 194,852,648	$ (3,370,509)	$ (12,512,905)	$ 178,969,234

Depreciation expense for the year ended June 30, 2022 was $22,836,730.

Note 6 – 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, 2022, were estimated to be $11,366,903 and were based on an IBNR study performed in fiscal year 2021-2022. 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
2021	$ 11,501,911	$ 6,845,207	$ (5,766,393)	$ 12,580,725
2022	$ 12,580,725	$ 4,947,823	$ (6,161,645)	$ 11,366,903

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, 2022, 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 $250,000 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 7 – 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, 2022 are summarized as follows:

	Miscellaneous	
	Prior to	On or after
Hire Date	January 1, 2013	January 1, 2013
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	52
Monthly benefits, as a % of annual salary	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	7.75%

Employees Covered

At June 30, 2022, the following employees were covered by the benefit terms for the Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	512
Inactive employees entitled to but not yet receiving benefits	606
Active employees	512
Total	1,630

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, 2022 for classic and PEPRA members was 16.54 percent and 2.39 percent, respectively.

For the year ended June 30, 2022, Omnitrans contributed $5,216,168 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, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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, 2020 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, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2021	$ 216,083,448	$ 181,544,950	$ 34,538,498
Changes in the year			
Service Cost	5,037,154	-	5,037,154
Interest on the total pension liability	15,006,729	-	15,006,729
Differences between expected and actual experience	(3,728,873)	-	(3,728,873)
Contribution - employer	-	5,139,924	(5,139,924)
Contribution - employee	-	2,094,716	(2,094,716)
Net investment income	-	40,781,907	(40,781,907)
Benefit payments, including refunds of employee contributions	(9,977,682)	(9,977,682)	-
Administrative Expense	-	(181,352)	181,352
Net changes	6,337,328	37,857,513	(31,520,185)
Balance at June 30, 2022	$ 222,420,776	$ 219,402,463	$ 3,018,313

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	$ 31,994,966
Current Discount Rate	7.15%
Net Pension Liability	$ 3,018,313
1% Increase	8.15%
Net Pension Liability	$ (21,062,499)

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, 2022, Omnitrans recognized a credit to pension expense of ($1,316,392). At June 30, 2022, 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	$ 5,216,168	$ -
Changes of assumptions	-	-
Differences between expected and actual experience	1,190,075	(3,178,239)
Differences between projected and actual earnings on pension plan investments	-	(20,205,448)
Total	$ 6,406,243	$ (23,383,687)

The amount of $5,216,168 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
2023	$ (5,623,834)
2024	(6,065,076)
2025	(4,921,865)
2026	(5,582,837)
Total	$ (22,193,612)

Note 8 – 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, 2022	Unexpended Commitments
Facilities Future Expansion and Remodel	$ 8,003,392	$ 6,375,117	$ 1,628,275
Computer Software and Hardware	1,014,669	875,616	139,053
Holt Bus Rapid Transit	7,943,428	7,943,428	-
Vehicle & Shop Equipment	5,441,571	3,967,189	1,474,382
Total major components of construction in progress	$ 22,403,060	$ 19,161,350	$ 3,241,710

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 November 2025.

To fund its commitment for the Project, Omnitrans received proceeds of $25,077,045 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, 2022 was $20,563,743 and $4,648,269, 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 $20,205,471 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.

Note 9 – 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, 2022 is summarized as follows:

SBCTA	$ 14,594,588

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REQUIRED SUPPLEMENTARY INFORMATION

	2022	2021	2020
Total Pension Liability			
Service cost	$ 5,037,154	$ 6,283,890	$ 6,192,874
Interest on the total pension liability	15,006,729	14,485,693	13,727,338
Changes of assumptions	-	-	-
Difference between expected and actual experience	(3,728,873)	(1,403,532)	4,435,739
Benefit payments, including refunds of employee contributions	(9,977,682)	(8,282,600)	(7,629,045)
Net change in total pension liability	6,337,328	11,083,451	16,726,906
Total pension liability - beginning	216,083,448	204,999,997	188,273,091
Total pension liability - ending (a)	222,420,776	216,083,448	204,999,997
Plan fiduciary net position			
Contributions - employer	5,139,924	5,193,463	4,797,140
Contributions - employee	2,094,716	2,543,478	2,594,545
Net investment income	40,781,907	8,732,860	10,773,154
Benefit payments, including refunds of employee contribution	(9,977,682)	(8,282,600)	(7,629,045)
Plan to plan resource movement	-	-	-
Administrative Expense	(181,352)	(244,737)	(116,451)
Other Miscellaneous (Income)/Expense	-	-	378
Net change in plan fiduciary net position	37,857,513	7,942,464	10,419,721
Plan fiduciary net position - beginning	181,544,950	173,602,486	163,182,765
Plan fiduciary net position - ending (b)	219,402,463	181,544,950	173,602,486
Plan net pension liability - ending (a)-(b)	$ 3,018,313	$ 34,538,498	$ 31,397,511
Plan fiduciary net position as a percentage of the total pension liability	98.64%	84.02%	84.68%
Covered payroll	$ 37,692,638	$ 35,702,027	$ 35,625,315
Plan net pension liability as percentage of covered payroll	8.01%	96.74%	88.13%
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019

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.

2019	2018	2017	2016	2015
$ 5,937,322	$ 5,619,063	$ 4,952,455	$ 4,752,183	$ 5,032,912
12,594,016	11,757,906	11,122,864	10,405,272	9,875,147
(1,592,446)	10,060,448	-	(2,654,537)	-
2,130,851	(1,848,982)	(813,650)	(3,304,350)	-
(6,859,350)	(5,901,950)	(5,239,568)	(4,887,764)	(4,033,818)
12,210,393	19,686,485	10,022,101	4,310,804	10,874,241
176,062,698	156,376,213	146,354,112	142,043,308	131,169,067
188,273,091	176,062,698	156,376,213	146,354,112	142,043,308
4,312,649	4,049,916	3,500,671	3,095,406	2,857,424
2,490,292	2,329,577	2,067,151	2,010,360	1,892,148
12,784,235	15,133,615	734,228	2,966,348	19,522,988
(6,859,350)	(5,901,950)	(5,239,568)	(4,887,764)	(4,033,818)
(378)	-	-	7,386	-
(235,515)	(200,392)	(82,121)	(151,602)	-
(447,247)	-	-	-	-
12,044,686	15,410,766	980,361	3,040,134	20,238,742
151,138,079	135,727,313	134,746,952	131,706,818	111,468,076
163,182,765	151,138,079	135,727,313	134,746,952	131,706,818
$ 25,090,326	$ 24,924,619	$ 20,648,900	$ 11,607,160	$ 10,336,490
86.67%	85.84%	86.80%	92.07%	92.72%
$ 34,587,684	$ 32,039,361	$ 30,655,864	$ 28,606,926	$ 29,286,654
72.54%	77.79%	67.36%	40.57%	35.29%
June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

	2022	2021	2020
Actuarially determined contribution	$ 5,216,168	$ 5,142,944	$ 5,288,892
Contribution in relation to the actuarially determined contributions	5,216,168	5,142,944	5,288,892
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 27,021,141	$ 37,692,638	$ 35,702,027
Contribution as a percentage of covered payroll	19.30%	13.64%	14.81%
Notes to Schedule			
Valuation date	June 30, 2020	June 30, 2019	June 30, 2018

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	2.5%
Salary increases	Varies by entry age and service
Investment rate of return	7.0% net of
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.

2019	2018	2017	2016	2015
$ 4,795,768	$ 4,265,223	$ 4,041,753	$ 3,481,193	$ 3,283,410
4,795,768	4,265,223	4,041,753	3,481,193	3,283,410
$ -	$ -	$ -	$ -	$ -
$ 35,625,315	$ 34,587,684	$ 32,039,361	$ 30,655,864	$ 28,606,926
13.46%	12.33%	12.61%	11.36%	11.48%
June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013

STATISTICAL SECTION

STATISTICAL SECTION

This section of Omnitrans' Annual Comprehensive 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.

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

	2013	2014	2015	2016
Net investment in capital assets	$ 206,992,298	$ 245,580,650	$ 196,610,392	$ 204,298,178
Less: Debt offsetting capital assets	(425,391)	(268,269)	(129,101)	-
Total net investment in capital assets	206,566,907	245,312,381	196,481,291	204,298,178
Restricted - Capital projects				-
Restricted - CTSA activities				-
Unrestricted net position	8,547,756	9,379,178	(5,263,020)	7,896,427
Total net position	$ 215,114,663	$ 254,691,559	$ 191,218,271	$ 212,194,605

	2017	2018	2019	2020
Net investment in capital assets	$ 212,850,236	$ 218,134,323	$ 200,270,564	$ 202,666,266
Less: Debt offsetting capital assets	-	-	-	-
Total net investment in capital assets	212,850,236	218,134,323	200,270,564	202,666,266
Restricted - Capital projects	-	3,914,213	4,812,857	4,864,626
Restricted - CTSA activities	-	-	11,016,293	5,418,603
Unrestricted net position	976,796	-	(8,756,220)	(4,298,682)
Total net position	$ 213,827,032	$ 222,048,536	$ 207,343,494	$ 208,650,813

	2021	2022
Net investment in capital assets	$ 194,852,648	$ 178,969,234
Less: Debt offsetting capital assets	-	-
Total net investment in capital assets	194,852,648	178,969,234
Restricted - Capital projects	314,460	358,272
Restricted - CTSA activities	5,448,007	5,391,341
Unrestricted net position	(955,763)	11,438,875
Total net position	$ 199,659,352	$ 196,157,722

Source: Finance Department

Operating Revenues:		2013	2014	2015	2016
Passenger fares	$	14,317,987	14,368,317	15,015,499	13,809,102
Advertising revenues		481,994	485,327	532,322	673,669
Other transportation revenues		39,819	41,978	54,440	57,832
Total revenues:	$	14,839,800	14,895,622	15,602,261	14,540,603
Operating Expenses:					
Depreciation and amortization		16,678,098	14,899,383	12,742,411	15,222,998
Other operating expenses		70,539,078	65,839,285	71,365,710	70,670,842
Total expenses:	$	87,217,176	80,738,668	84,108,121	85,893,840
Non-operating Revenues/(Expenses):					
Federal & local operating grants		54,087,458	50,785,745	55,090,857	68,179,717
Interest income		24,915	44,311	43,486	172,124
Interest expense		(8,349)	(4,580)	(2,426)	(927)
Pass-through to other agencies		(2,254,293)	(4,459,471)	(1,297,931)	(11,531,009)
Pass-through to CTSA community partners					
Donation to other agency				(72,050,046)	
Loss on disposal of capital assets					
CNG fuel tax credit					
Other non-operating revenues (expenses)		1,409,847	118,187	1,032,590	1,107,516
Total non-operating revenues	$	53,259,578	46,484,192	(17,183,470)	57,927,421
Income before capital contribution		(19,117,798)	(19,358,854)	(85,689,330)	(13,425,816)
Capital Contributions					
Capital assistance	$	89,571,554	58,935,750	37,167,461	34,402,150
Contributions from other agencies		-	-	-	-
Total capital contributions	$	89,571,554	58,935,750	37,167,461	34,402,150
Change in net position	$	70,453,756	39,576,896	(48,521,869)	20,976,334
Net position, beginning of year	$	144,660,907	215,114,663	254,691,559	191,218,271
Prior Period Adjustment				(14,951,419)	
Net Position, Beginning Of Year, As Restated				239,740,140	191,218,271
Net position, end of year	$	215,114,663	254,691,559	191,218,271	212,194,605

Source: Finance Department

Omnitrans

Changes in Net Position

Last 10 Years

Operating Revenues:	2017	2018	2019	2020
Passenger fares	$ 12,956,556	$ 12,677,056	$ 13,168,821	$ 11,227,212
Advertising revenues	596,098	598,078	774,189	685,699
Other transportation revenues	62,779	38,680	55,673	69,755
Total revenues:	$ 13,615,433	$ 13,313,814	$ 13,998,683	$ 11,982,666
Operating Expenses:				
Depreciation and amortization	16,762,307	16,540,761	18,797,139	19,288,208
Other operating expenses	79,318,693	86,902,089	95,682,829	91,888,124
Total expenses:	$ 96,081,000	$ 103,442,850	$ 114,479,968	$ 111,176,332
Non-operating Revenues/(Expenses):				
Federal & local operating grants	63,623,628	69,716,169	84,857,421	75,325,966
Interest income	52,757	167,494	315,357	846,858
Interest expense	-	-	-	-
Pass-through to other agencies	(14,232,126)	(1,690,894)	(854,709)	(30,661,723)
Pass-through to CTSA community partners		-	(394,708)	(988,351)
Donation to other agency	(27,910)	-	(6,838,655)	-
Loss on disposal of capital assets		-650981	(1,910,005)	(709,129)
		1434406	-	3,758,891
Other non-operating revenues (expenses)	922,850	352,633	21,422	19,738
Total non-operating revenues	$ 50,339,199	$ 69,328,827	$ 75,196,123	$ 47,592,250
Income before capital contribution	(32,126,368)	(20,800,209)	(25,285,162)	(51,601,416)
Capital Contributions				
Capital assistance	$ 35,816,686	$ 29,021,713	$ 8,760,536	$ 52,908,735
Contributions from other agencies	-	-	846,500	-
Total capital contributions	$ 35,816,686	$ 29,021,713	$ 9,607,036	$ 52,908,735
Special Items				
Transfer of Operations (Note 11)	-	-	973,084	-
Change in net position	$ 3,690,318	$ 8,221,504	$ (14,705,042)	$ 1,307,319
CNG fuel tax credit				
Net position, beginning of year	$ 212,194,605	$ 213,827,032	$ 222,048,536	$ 207,343,494
Prior Period Adjustment	(2,057,891)	-	-	-
Net Position, Beginning Of Year, As Restated	210,136,714	213,827,032	222,048,536	207,343,494
Net position, end of year	$ 213,827,032	$ 222,048,536	$ 207,343,494	$ 208,650,813

Source: Finance Department

Operating Revenues:		2021		2022
Passenger fares	$	6,639,109	$	7,726,741
Advertising revenues		645,714		755,178
Other transportation revenues		23,697		1,785
Total revenues:	$	7,308,520	$	8,483,704
Operating Expenses:				
Depreciation and amortization		20,935,486		22,836,730
Other operating expenses		78,264,894		69,950,920
Total expenses:	$	99,200,380	$	92,787,650
Non-operating Revenues/(Expenses):				
Federal & local operating grants		70,157,677		71,334,095
Interest income		(23,485)		(536,684)
Interest expense				
Pass-through to sub-recipients		(50,676,427)		(14,594,588)
Pass-through to CTSA community partners		(929,943)		-
Donation to other agency				
Loss on disposal of capital assets		(665,723)		(36,718)
CNG fuel tax credit		966,554		525,164
Other non-operating revenues (expenses)		43,766		84,523
Total non-operating revenues	$	18,872,419	$	56,775,792
Income before capital contribution		(73,019,441)		(27,528,154)
Capital Contributions				
Capital assistance	$	64,027,980	$	24,026,524
Capital contributions				
Total capital contributions	$	64,027,980	$	24,026,524
Special Items				
Transfer of operations (Note 11)				
Change in net position	$	(8,991,461)	$	(3,501,630)
Net position, beginning of year	$	208,650,813	$	199,659,352
Net Position, Beginning Of Year, As Restated		208,650,813		199,659,352
Net position, end of year	$	199,659,352	$	196,157,722

Source: Finance Department

Passenger Fares - Individuals	**2013**	**2014**	**2015**	**2016**
F/R Full Fares - Cash				
F/R Senior/Disable Fare - Cash	$4,512,614	$4,399,894	$4,414,989	$3,920,383
F/R 1-Day & 7 Day Full Fare - Pass	383,045	447,239	557,592	577,375
F/R 1-Day & 7 Day S/D Fare - Pass	3,386,969	3,534,008	3,577,714	3,207,595
F/R 7-Day Youth Pass	770,747	813,797	893,643	861,302
F/R 31-Day Full Fare - Pass (less: discount)	356,291	214,219	208,442	137,774
F/R 31-Day Youth Fare-Pass	1,083,657	1,419,430	1,574,959	1,354,705
F/R 31-Day Senior Fare - Pass	1,014,034	524,795	579,142	485,891
F/R 31-Day Disability Fare - Pass	-	-	-	-
University Passes	591,712 **	560,936 **	622,658 **	650,869
VET - Cash	531,763	755,568	753,215	755,318
VET 31-Day Pass	-	-	13,154	23,564
VET 7 Day Pass	-	-	41,824	61,588
VET 1 Day Pass	-	-	12,490	16,560
Metrolink Transfer	-	-	4,394	6,310
Access Base Fare - Cash	54,326	43,628	53,169	54,778
Access Base Fare (3 zones) - Ticket	142,900	153,870	193,297	172,367
Access Additional (1 zone) - Ticket	1,275,349	1,291,015	1,452,471	1,466,273
Access Monthly Subscription Zone - Pass	10,927	17,596	14,181	8,509
Total Passenger Fares	8,410	725	-	-
	$14,122,744	$14,176,720	$14,967,334	$13,761,161
Special Transit Fares - Group				
F/R 1 - Trip Full Fare - Ticket				
OmniLink (Yucaipa) - Cash	42,516	21,644	43,880	-
OmniLink (Chino Hills) - Cash	19,396	18,317	2,821	-
OmniLink S/D Fare - Ticket	7,629	8,730	1,329	-
OmniLink Full Fare - Ticket	1,701	851	81	-
OmniLink Youth Fare - Ticket	-	-	-	-
OmniGo - Fares	2,340	2,070	54	-
Total Special Transit Fares	121,661	139,985	-	47,941
Total Fares	$195,243	$191,597	$48,165	$47,941
	$14,317,987	$14,368,317	$15,015,499	$13,809,102

	2017		2018		2019		2020
Passenger Fares - Individuals							
F/R Full Fares - Cash	$3,473,311		$3,301,892		$3,250,699		$3,250,699
F/R Senior/Disable Fare - Cash	548,603		588,484		569,175		569,175
F/R 1-Day & 7 Day Full Fare - Pass	2,888,887		2,710,454		2,585,110		2,585,110
F/R 1-Day & 7 Day S/D Fare - Pass	849,267		836,285		806,385		806,385
F/R 7-Day Youth Pass	126,818		129,652		124,634		124,634
F/R 31-Day Full Fare - Pass (less: discount)	1,260,680		1,294,738		2,313,010		2,313,010
F/R 31-Day Youth Fare-Pass	506,414		478,183		461,947		461,947
F/R 31-Day Senior Fare - Pass	-		-		-		-
F/R 31-Day Disability Fare - Pass	599,932		571,081		522,033		522,033
University Passes	773,383	**	998,587	**	955,091	**	955,091
VET - Cash	13,665		13,479		15,475		15,475
VET 31-Day Pass	70,819		67,441		60,935		60,935
VET 7 Day Pass	19,362		18,884		17,576		17,576
VET 1 Day Pass	9,714		8,266		10,158		10,158
Metrolink Transfer	122,680		94,809		67,577		67,577
Access Base Fare - Cash	172,695		170,373		171,457		171,457
Access Base Fare (3 zones) - Ticket	1,448,556		1,330,100		1,161,937		1,161,937
Access Additional (1 zone) - Ticket	12,096		10,977		8,975		8,975
Access Monthly Subscription Zone - Pass	-		-		-		-
Total Passenger Fares	$12,896,882		$12,623,685		$13,102,174		$13,102,174
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	59,677	***	53,371	***	-	***	23,324
Total Special Transit Fares	$59,677		$53,371		$66,647		$23,324
Total Fares	$12,956,559		$12,677,056		$13,168,821		$13,125,498

	2021		2022	
Passenger Fares - Individuals				
F/R Full Fares - Cash	$1,736,809		$1,822,752	
F/R Senior/Disable Fare - Cash	382,588		436,176	
F/R 1-Day & 7-Day Full Fare - Pass	1,016,907		1,020,016	
F/R 1-Day & 7-Day S/D Fare - Pass	428,802		484,629	
F/R 1-Day & 7-Day Youth Pass	15,578		3,810	
F/R 31-Day Full Fare - Pass (less: discount)	1,419,084		2,042,796	
F/R 31-Day Youth Fare-Pass	74,880		40,365	
F/R 31-Day Senior Fare - Pass				
F/R 31-Day Disability Fare - Pass	245,970		263,640	
University Passes	598,017		799,170	
VET - Cash	11,016		10,820	
VET 31-Day Pass	30,229		29,119	
VET 7 Day Pass	2,106		2,160	
VET 1 Day Pass	5,150		6,800	
Metrolink Transfer	46,834		57,598	
Access Base Fare - Cash	141,357		117,353	
Access Base Fare (3 zones) - Ticket	530,021		624,364	
Access Additional (1 zone) - Ticket	3,718		1,904	
Access Monthly Subscription Zone - Pass				
Total Passenger Fares	$6,689,066		$7,763,471	
Special Transit Fares - Group				
F/R 1 - Trip Full Fare - Ticket	-		16,592	
OmniLink (Yucaipa) - Cash	-		-	
OmniLink (Chino Hills) - Cash	-		-	
OmniRide (Chino Hills)	8,228		23,766	
OmniLink S/D Fare - Ticket	-		-	
OmniLink Full Fare - Ticket	-		-	
OmniLink Youth Fare - Ticket	-		-	
OmniGo - Fares	7,762	***	-	***
Total Special Transit Fares	$15,990		$40,358	
Bus Pass Sales Discounts	($65,947)		($77,088)	
Net Passenger Fares	$6,639,109		$7,726,741	

* 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

Fiscal Year	(A) Population	(B) Personal Income (000)	(B / A) Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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	406,069	4.3%
2020	2,190,000	86,400,000	39,452	33.8	407,268	14.3%
2021	2,206,750	92,778,390	42,043	33.3	399,356	6.6%
2022	2,210,942	100,279,485	45,356	33.6	398,648	3.9%

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.

Employer	Employees	% of Total Employment	Ranking 2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Amazon Fulfillment Centers	10,000 - 20,000	1.03%	1	1	-	-	-	-	-	-	-	-
County of San Bernardino, San Bernardino	10,000 - 20,000	1.03%	2	4	3	3	3	3	3	3	1	1
Loma Linda University*	10,000 - 20,000	1.03%	3	5	6	1	1	1	1	1	3	3
San Bernardino City Unified School District	5,000 - 10,000	0.50%	4	6	4	9	9	9	9	9	5	5
Ontario International Airport, Ontario	5,000 - 10,000	0.50%	5	7	5	8	8	8	8	8	7	7
Kaiser Permanente	5,000 - 10,000	0.50%	6	8	7	5	5	5	5	5	9	9
Arrowhead Regional Medical Center	1,000 - 5,000	0.20%	7	2	1	-	-	-	-	-	-	-
Fontana Unified School District	1,000 - 5,000	0.20%	8	9	8	-	-	-	-	-	-	-
Burlington Distribution Center	1,000 - 5,000	0.20%	9	-	-	-	-	-	-	-	-	-
San Manuel Band of Mission Indians	1,000 - 5,000	0.20%	10	10	9	-	-	-	-	-	-	-

* 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, CA Employment Development Department (EDD)

Omnitrans

Riverside San Bernardino Ontario MSA
(Riverside and San Bernardino Counties)
Industry Employment & Labor Force Benchmark
Last 10 Years

TITLE	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22
Civilian Labor Force	1,887,100	1,900,200	1,943,400	1,972,100	1,999,500	2,037,900	2,055,300	2,103,000	2,107,300	2,151,100
Civilian Employment	1,688,000	1,739,600	1,808,600	1,845,500	1,890,800	1,944,000	1,966,900	1,818,800	1,930,000	2,065,200
Civilian Unemployment	199,000	160,500	134,800	126,600	108,800	93,900	88,400	284,200	177,300	85,900
Civilian Unemployment Rate	10.5%	8.4%	6.9%	6.4%	5.4%	4.6%	4.3%	13.5%	8.4%	4.0%
Total, All Industries	1,248,700	1,299,500	1,361,400	1,409,800	1,466,000	1,520,700	1,565,400	1,470,200	1,575,700	1,673,600
Total Farm	18,700	17,500	18,400	19,000	18,900	17,900	19,600	17,000	15,200	18,100
Total Nonfarm	1,230,000	1,282,000	1,343,000	1,390,800	1,447,100	1,502,800	1,545,800	1,453,200	1,560,500	1,655,500
Total Private	1,002,200	1,050,600	1,108,600	1,146,600	1,193,800	1,241,000	1,281,100	1,209,100	1,316,200	1,398,100
Goods Producing	156,900	169,000	181,700	190,900	198,800	208,300	210,900	200,600	206,800	212,800
Mining, Logging, and Construction	70,100	78,500	86,500	93,000	100,200	108,100	109,500	105,700	111,700	113,400
Mining and Logging	1,200	1,300	1,400	900	900	1,200	1,200	1,300	1,400	1,400
Construction	68,900	77,200	85,100	92,100	99,300	106,900	108,300	104,400	110,300	112,000
Construction of Buildings	11,300	12,500	13,700	14,700	15,300	15,800	16,400	16,200	17,200	17,200
Heavy & Civil Engineering Construction	10,000	10,400	11,700	12,100	12,500	12,400	12,700	12,800	12,800	12,700
Specialty Trade Contractors	47,600	54,300	59,700	65,300	71,500	78,700	79,200	75,400	80,300	82,100
Building Foundation & Exterior Contractors	12,500	14,800	16,800	18,600	22,400	25,000	24,300	22,900	24,200	24,900
Building Equipment Contractors	16,000	18,200	20,000	23,000	24,700	27,000	28,400	27,100	29,900	30,100
Building Finishing Contractors	12,300	14,000	15,400	15,800	16,100	18,000	17,700	17,000	17,600	17,200
Manufacturing	86,800	90,500	95,200	97,900	98,600	100,200	101,400	94,900	95,100	99,400
Durable Goods	57,300	60,100	63,400	64,600	64,700	65,500	65,500	60,300	59,000	61,900
Fabricated Metal Product Manufacturing	13,100	14,200	14,700	14,500	14,300	15,100	15,300	14,600	13,600	13,900
Nondurable Goods	29,500	30,400	31,800	33,300	33,900	34,700	35,900	34,600	36,100	37,500
Service Providing	1,073,100	1,113,000	1,161,300	1,199,900	1,248,300	1,294,500	1,334,900	1,252,600	1,353,700	1,442,700
Private Service Providing	845,300	881,600	926,900	955,700	995,000	1,032,700	1,070,200	1,008,500	1,109,400	1,185,300
Trade, Transportation & Utilities	295,700	310,100	327,400	337,800	356,000	373,700	387,600	393,300	431,000	467,200
Wholesale Trade	55,900	58,600	60,800	62,100	62,900	66,300	68,100	63,800	67,000	70,100
Merchant Wholesalers, Durable Goods	34,200	35,500	37,200	36,900	36,800	39,300	40,300	37,600	39,800	40,800
Merchant Wholesalers, Nondurable Goods	18,700	20,200	20,900	22,100	23,100	24,000	24,500	23,200	23,800	24,900
Retail Trade	162,500	166,700	171,400	174,600	178,100	178,300	177,300	161,500	174,600	181,800
Motor Vehicle & Parts Dealer	21,400	22,300	23,600	24,600	25,800	25,900	25,300	22,400	24,200	25,300
Automotive Parts, Accessories & Tire Stores	6,900	7,200	7,400	7,400	7,600	7,500	7,400	7,000	7,300	7,700
Building Material & Garden Equipment Stores	13,900	14,100	13,700	14,200	14,500	14,800	14,500	15,300	16,000	16,200
Food & Beverage Stores	30,800	32,600	33,700	34,000	33,600	33,800	33,700	35,600	35,500	36,800
Health & Personal Care Stores	9,900	10,200	10,400	10,600	11,300	11,500	11,900	9,600	11,600	12,100
Clothing & Clothing Accessories Stores	19,400	20,000	19,500	18,900	19,300	18,800	17,900	10,400	14,500	15,200
Clothing Stores	15,300	15,600	14,900	14,100	14,300	13,900	13,000	7,400	10,700	11,400
General Merchandise Stores	33,400	33,600	34,900	36,700	36,200	35,900	36,100	36,300	37,600	39,000
Transportation, Warehousing & Utilities	77,300	84,800	95,200	101,100	115,000	129,100	142,200	168,000	189,400	215,300
Utilities	5,700	5,500	5,300	5,300	5,000	4,900	4,800	5,000	5,100	5,000
Transportation & Warehousing	71,600	79,300	89,900	95,800	110,000	124,200	137,400	163,000	184,300	210,300
Truck Transportation	22,300	23,700	25,000	25,600	26,200	26,900	28,100	29,100	31,300	33,500
General Freight Trucking	16,700	17,900	19,600	19,900	20,300	21,200	21,900	22,200	23,800	25,400
Couriers & Messengers	8,100	8,600	9,600	9,500	11,000	13,600	15,200	19,000	21,400	21,800
Warehousing & Storage	26,300	31,800	39,000	44,200	56,100	66,200	76,300	99,400	114,600	135,400
Information	12,000	11,700	11,500	12,000	11,500	11,500	11,600	8,700	9,900	10,000
Publishing Industries (except Internet)	1,900	1,800	1,600	1,500	1,400	1,600	1,700	1,700	1,800	1,700
Telecommunications	5,500	5,600	5,400	5,500	5,500	5,300	5,200	4,800	4,600	4,300
Financial Activities	41,800	43,000	43,800	44,900	44,600	44,600	44,700	42,900	44,400	46,700
Finance & Insurance	26,100	26,700	26,800	27,000	26,200	25,300	24,600	24,200	24,100	23,900
Credit Intermediation & Related Activities	15,000	15,300	15,400	14,700	14,400	13,500	12,800	12,800	12,500	12,000
Depository Credit Intermediation	10,600	10,100	9,700	9,500	9,500	9,000	9,100	9,000	8,300	7,500
Nondepository Credit Intermediation	3,000	3,000	3,100	2,800	3,100	2,900	2,200	2,100	2,500	2,400
Insurance Carriers & Related	9,400	9,600	9,900	10,700	10,100	10,100	10,000	9,800	9,600	9,500
Insurance Carriers	4,200	4,100	4,100	3,900	3,500	3,100	2,800	2,700	2,700	2,600
Real Estate & Rental & Leasing	15,700	16,300	17,000	17,900	18,400	19,300	20,100	18,700	20,300	22,800
Real Estate	11,400	11,900	12,000	12,300	12,800	13,300	14,000	13,600	14,800	16,200
Professional & Business Services	130,900	134,900	144,200	142,500	145,400	150,000	156,300	147,800	165,800	174,900
Professional, Scientific & Technical Services	36,800	38,800	38,200	38,600	39,400	41,700	43,500	41,100	44,200	48,400
Management of Companies & Enterprises	8,400	8,300	8,900	9,300	8,300	8,300	8,800	8,300	8,700	8,600
Administrative & Support & Waste Services	85,700	87,800	97,100	94,600	97,700	100,000	104,000	98,400	112,900	117,900
Administrative & Support Services	81,900	84,000	93,200	91,100	93,900	95,900	99,900	94,400	108,700	113,000
Employment Services	37,600	39,700	47,700	42,700	42,900	42,300	44,100	39,500	53,000	54,500
Investigation & Security Services	11,900	12,600	12,900	14,000	15,100	15,700	16,300	16,600	16,100	16,800
Services to Buildings & Dwellings	17,600	17,800	18,600	19,300	19,600	20,300	21,300	21,800	22,300	22,900
Educational & Health Services	188,100	194,200	204,100	213,800	224,500	236,900	248,000	242,600	252,000	262,300
Educational Services	16,900	16,000	16,500	17,700	17,500	18,400	18,600	16,400	16,700	18,100
Colleges, Universities & Professional Schools	5,500	5,400	5,900	5,700	5,300	5,600	5,400	5,200	4,900	5,700
Health Care & Social Assistance	171,200	178,200	187,600	196,100	207,000	218,500	229,400	226,200	235,300	244,200
Ambulatory Health Care Services	58,700	61,700	64,700	66,900	70,600	74,100	78,500	75,300	80,800	84,400
Offices of Physicians	19,100	20,100	21,100	22,400	22,500	22,900	23,000	22,500	23,400	24,200
Hospitals	35,700	35,700	37,200	38,700	38,700	39,900	41,400	41,400	42,100	43,000
Nursing & Residential Care Facilities	23,000	24,300	24,900	25,600	25,900	27,400	27,200	25,700	25,200	25,800

TITLE	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22
Leisure & Hospitality	135,500	144,300	151,600	159,900	167,000	169,800	175,500	135,200	162,400	179,700
Arts, Entertainment & Recreation	15,900	16,800	17,400	18,300	18,700	18,500	18,900	11,700	16,900	17,600
Accommodation & Food Services	119,600	127,500	134,200	141,600	148,300	151,300	156,600	123,500	145,500	162,100
Accommodation	14,500	16,100	16,700	17,400	18,800	18,300	18,400	11,500	13,400	15,400
Food Services & Drinking Places	105,100	111,400	117,500	124,200	129,500	133,000	138,200	112,000	132,100	146,700
Restaurants	101,400	106,900	114,000	120,400	125,600	128,800	133,600	109,800	128,600	143,100
Full-Service Restaurants	44,100	45,800	47,600	49,400	50,600	51,100	52,000	36,400	47,100	52,900
Limited-Service Eating Places	57,300	61,100	66,400	71,000	75,000	77,700	81,600	73,400	81,500	90,200
Other Services	41,300	43,400	44,300	44,800	46,000	46,200	46,500	38,000	43,900	44,500
Repair & Maintenance	14,700	15,600	16,400	17,000	17,300	17,400	17,600	16,000	17,600	18,800
Personal & Laundry Services	10,500	10,900	11,500	12,000	12,700	13,000	13,600	9,400	13,300	14,500
Government	227,800	231,400	234,400	244,200	253,300	261,800	264,700	244,100	244,300	257,400
Federal Government	20,200	20,300	20,300	20,500	20,600	20,700	21,000	21,700	21,200	20,800
Department of Defense	5,800	5,800	5,800	5,700	5,600	5,700	5,900	6,100	6,000	6,000
Federal Government excluding Department of Defense	14,400	14,500	14,500	14,800	15,000	15,000	15,100	15,600	15,200	14,800
State & Local Government	207,600	211,100	214,100	223,700	232,700	241,100	243,700	222,400	223,100	236,600
State Government	28,400	28,800	29,200	30,200	30,900	31,400	31,600	31,600	30,800	33,000
State Government Education	11,400	11,800	12,000	12,800	13,400	13,500	13,300	13,200	12,000	14,300
State Government Excluding Education	17,000	17,000	17,200	17,400	17,500	17,900	18,300	18,400	18,800	18,700
Local Government	179,200	182,300	184,900	193,500	201,800	209,700	212,100	190,800	192,300	203,600
Local Government Education	105,400	107,700	110,000	116,500	122,300	128,700	129,600	112,500	114,300	124,800
Local Government Excluding Education	73,800	74,600	74,900	77,000	79,500	81,000	82,500	78,300	78,000	78,800
County	33,300	33,000	32,500	33,700	34,600	34,200	34,500	35,600	34,000	32,300
City	15,000	15,400	15,200	15,300	15,300	15,400	15,600	14,000	14,400	15,500
Special Districts plus Indian Tribes	25,500	26,200	27,200	28,000	29,600	31,400	32,400	28,700	29,600	31,000

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.

According to the University of California, Riverside School of Business Center for Economic Forecasting and Development news release from September 23, 2023, business activity in the Inland Empire continued to rise in stark contrast to the decline in GDP at the national level. Business activity in the Inland Empire expanded by 1.6% compared to the U.S. GDP contracting by 0.6%. The short-term outlook for the Inland Empire remains positive with local business activity forecasted to rise between 2% and 3% over the next 12 months.

The unemployment rate for the Inland Empire in the latest release of regional and statewide employment data from the California Employment Development Department (EDD) is 4.2 %. This is down from 5.4% from the same time last year. Even though, the region saw a decline in the unemployment rate, the Inland Empire lags the state of California and the national averages of 4.0 and 3.4% respectively.

The decline in the unemployment rate comes from strong employment growth in the area. Some of the major sectors which have driven the job creation in the local economy are the Transportation and Warehousing sector as well as the State and Local Government. The increase in jobs related to the Transportation and Warehousing sector are due to increasing U.S. imports as well as continual growth in e-commerce. State and Local government jobs are increasing as the school sector and local governments are beginning to return to pre-pandemic business.

	2013	2014	2015	2016	2017
Administration	5	3	4	4	4
Operation	443	450	468	464	479
Maintenance	101	100	102	107	103
Information Technology	5	5	8	8	8
Marketing	25	24	29	30	30 *
Strategic Development	18	15	-	-	-
Human Resources	9	9	9	9	10
Safety & Security	3	3	3	4	4
Procurement	18	19	18	20	18
Finance	11	11	12	12	12
Integrated Project Mgmt. Oversight (IPMO)			4	3	1 **
Rail					2
Special Transportation Services				10	13
Total	**638**	**639**	**657**	**671**	**684**

	2018	2019	2020	2021	2022
Administration	5	4	3	3	3
Operation	481	513	345	352	346
Maintenance	101	105	93	99	92
Information Technology	8	10	7	8	9
Marketing	32	32	29	12.5	11.5
Strategic Development	-	-	-	6.5	6.5
Human Resources	13	11	10	6	9
Safety & Security	3	3	5	10	5 ******
Procurement	18	18	18	20	18
Finance	11	11	10	10	10
Integrated Project Mgmt. Oversight (IPMO)	- ****	-	-	-	-
Rail Service	2	2	2	-	-
Special Transportation Services	13	14	7	5	4
Total	**687**	**723** ****	**529** *****	**532** *****	**514** *****

* Re-organization combined the Marketing Department and Planning Department.
** Re-organization separated the Project Management Oversight (IMPO) 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, Wokers' Comp., etc.) employees.
****** Fleet Safety & Training moved from Safety & Security to Operrations

Source: Human Resources Department

	2013	2014	2015	2016	2017
Personnel	$25,718,114	$25,505,890	$26,313,115	$28,621,780	$31,716,325
Materials & Supplies	8,396,813	8,533,634	9,191,072	7,288,414	7,663,731
Casualty & Liability	6,525,076	1,146,301	2,851,520	3,107,806	6,379,626
Purchased Transportation	9,084,344	9,075,431	9,261,048	9,041,314	8,803,691
Depreciation & Other	37,492,829	36,477,412	36,491,366	37,834,526	41,517,627
Total Operating Expenses	$87,217,176	$80,738,668	$84,108,121	$85,893,840	$96,081,000

	2018	2019	2020	2021	2022
Personnel	$33,842,292	$34,946,187	$31,705,410	$25,941,626	26,704,911
Materials & Supplies	5,584,044	7,585,990	6,222,215	4,570,791	5,746,130
Casualty & Liability	7,869,167	7,812,623	9,308,157	8,118,892	8,798,001
Purchased Transportation	8,947,264	10,764,903	10,173,138	8,457,688	9,155,625
Depreciation & Other	47,200,083	53,370,265	53,767,412	52,111,383	42,382,983
Total Operating Expenses	$103,442,850	$114,479,968	$111,176,332	$99,200,380	$92,787,650

Source: Finance Department

	2013	2014	2015	2016	2017
Transportation	$29,269,181	$30,149,343	$31,337,405	$34,444,699	$34,901,970
Maintenance	15,043,634	15,213,652	16,223,257	14,588,796	15,895,286
Risk Management *	6,525,076	1,146,301	2,851,520	3,107,806	6,379,626
Marketing	2,452,956	2,411,375	2,925,275	3,126,790	3,208,490
General Administration	6,887,007	8,473,242	8,147,166	6,615,304	9,315,612
Depreciation & Other **	27,039,322	23,344,755	22,623,498	24,010,445	26,380,016
Total Operating Expenses	$87,217,176	$80,738,668	$84,108,121	$85,893,840	$96,081,000

	2018	2019	2020	2021	2022
Transportation	$35,768,134	$36,377,440	$32,771,294	24,121,692	25,058,972
Maintenance	13,788,752	16,931,367	15,822,177	14,649,667	15,769,466
Risk Management *	7,869,167	7,812,623	9,308,157	9,308,157	6,278,255
Marketing	3,282,207	3,381,213	1,904,206	1,581,742	1,700,015
General Administration	13,341,246	11,354,192	20,901,379	19,572,242	12,318,912
Depreciation & Other **	29,393,344	38,623,133	30,469,119	29,966,880	31,662,030
Total Operating Expenses	$103,442,850	$114,479,968	$111,176,332	$99,200,380	$92,787,650

* Risk Management consist of casualty and liability costs.
** Depreciation & Other cost consist of depreciation, purchased transportation, capital purchases, and miscellaneous.

Source: Finance Department

	2013	2014	2015	2016	2017
Fixed route					
Buses	172	186	191	199	188
Paratransit					
Paratransit buses	96	126	122	144	109
Paratransit vans	10	10	9	6	0
Support vehicles					
Vans, cars & trucks	37	37	40	43	68

	2018	2019	2020	2021	2022
Fixed route					
Buses	208	190	189	173	169
Paratransit					
Paratransit buses	137	137	119	105	74
Paratransit vans	0	0	0	0	0
Support vehicles					
Vans, cars & trucks	88	93	76	66	66

Source: Finance Department.

December 22, 2022

Board of Directors
Omnitrans
San Bernardino, California

We have audited the financial statements of the Omnitrans as of and for the year ended June 30, 2022, and have issued our reports thereon dated December 22, 2022. 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*

As communicated in our letters dated April 28, 2022, 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 Omnitrans 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 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 December 22, 2022.

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.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks." We have identified the following as significant risks:

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of Omnitrans may have the ability to override controls that the Omnitrans has implemented. Management may override Omnitrans' controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the Omnitrans' financial performance or with the intent of concealing fraudulent transactions.
- Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for Omnitrans to overstate revenues.

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. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. 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 7 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 7, 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. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

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 Omnitrans' financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 22, 2022.

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, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating 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 Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in Omnitrans' annual reports 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 have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in 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.

Eide Bailly LLP

Rancho Cucamonga, California

National Transit Database Report
Agreed-Upon Procedures
For the Period July 1, 2021 through June 30, 2022

Omnitrans

Independent Accountant's Report On Applying Agreed-Upon Procedures

Board of Directors
Omnitrans
San Bernardino, California

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form FFA-10 (FFA-10) for the Omnitrans annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.

2. A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.

3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.

4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.

5. The data collection methods are those suggested by FTA or otherwise meet FTA requirements.

6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.

7. Data are consistent with prior reporting periods and other facts known about Omnitrans' operations.

We have performed the procedures described in Attachment 1 to this report. Management of Omnitrans is responsible for the accuracy of the NTD data reported in the Federal Funding Allocation Statistics Form 10 (FFA-10) in accordance with the requirements specified *Uniform System of Accounts and Records and Reporting System; Final Rule,* as specified in 49 CFR part 630*, Federal Register, January 15, 1993* and as presented in the *2022 Policy Manual.*

Omnitrans has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether Omnitrans complied with the reporting requirements described above and that the information included in the FFA-10 for the fiscal year ended June 30, 2022 is presented in conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register, dated January 15, 1993, and as presented in the 2022 NTD Policy Manual*. Additionally, the FTA has agreed to and acknowledged, as specified in the Declarations section of the *2022 Policy Manual*, that the procedures performed are appropriate to meet their purposes and we will report on findings based on the procedures performed. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are listed in Attachment 1 to this report. The procedures were applied separately to each of the information systems used to develop the reported actual VRM, FG DRM, PMT, and OE of Omnitrans for the fiscal year ended June 30, 2022 for each of the following modes:

(1) Motor Bus - directly operated (MBDO), (2) Motor Bus - purchased transportation (MBPT) and (3) Demand Response - purchased transportation (DRPT).

We were engaged by Omnitrans to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accuracy of the FFA-10 data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Omnitrans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Eide Bailly LLP

Rancho Cucamonga, California
October 28, 2022

Excerpt from the FTA *2022 Policy Manual* Exhibit 80 - Federal Funding Allocation Data Review Suggested Procedures:

FTA has specified and agreed to a set of procedures for the independent auditor to perform to satisfy the requirements of the Federal Funding Allocation data review. Several of the procedures below require the auditor to select a random sample of documents or data. The procedures do not specify the selected number (i.e., the percentage of the total documents/data). The auditor should use professional judgment to determine the percentage that will enable the auditor to make the required assurances.

The source documents and other records (such as data summaries) may be in the form of digital data files. The auditor should ensure that these files are securely stored and that a contingency plan is in place to ensure that the transit agency retains source documents for a minimum of three years.

a. The procedures to be applied to each applicable mode and TOS (Type Of Service) (Directly- Operated (DO), Purchased Transportation (PT)), Transportation Network (TN), and Taxi) are: Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993, and as presented in the *2022 Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

   Results – We obtained and read a copy of written procedures related to the system for reporting and maintaining data and found them in accordance with NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, Dated January 15, 1993, and as presented in the *2022 Policy Manual*.

b. Discuss the procedures (written or informal) with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:

   - The extent to which the transit agency followed the procedures on a continuous basis, and
   - Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993, and as presented in the *2022 Policy Manual.*

   Results – We inquired regarding Omnitrans' procedures for the MBDO, MBPT and DRPT services noting that the asserted procedures were consistently applied. In addition, based on our inquiry with the Planning and Scheduling Manager and the Operations Services Supervisor, management asserted that the procedures resulted in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, Dated January 15, 1993, and as presented in the *2022 Policy Manual*.

c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form.

Results – We inquired with the Planning and Scheduling Manager and the Operations Services Supervisor, regarding Omnitrans' retention policy for NTD data, Total Modal Operating Expenses data, Actual Vehicle Revenue Mile and Passenger Miles Traveled. Per inquiry, the current practice is to retain paper and electronic data for at least three years.

d. Based on a description of the transit agency's procedures from items (A) and (B) above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Results – We inspected the following source documents for each type of service, selected three months out of the year and observed that the documents existed for each of these periods:

Type of Service	*Source Document*	*Months Tested*
MBDO	• *MBDO Statistics Reports (queried from TransTrack Manager System database)* • *Passenger Mile Survey Summary from Automated Passenger Count system GFI database* • *Ridership by Trip Reports* • *Trapeze FX Summaries by Route* • *Route Plans*	• *August 2021, February 2022, June 2022.* • *Three years of data were noted to be archived on Omnitrans' network.*
MBPT	• *MBPT Statistics Reports (queried from TransTrack Manager System database)* • *Ridership by Trip Reports* • *Trapeze FX Summaries by Route* • *Route Plans* • *Passenger Mile Survey Summary* • *Survey Trip Sheets*	• *August 2021, February 2022, June 2022.* • *Three years of data were noted to be archived on Omnitrans' network.*

DRPT	• *DRPT Statistics Reports (queried from TransTrack Manager System database)* • *Daily Totals from the Trapeze Pass system* • *Trip Distance Productivity Reports from the Trapeze Pass system* • *Driver Manifests generated from the Trapeze Pass system* • *Passenger Mile Survey Summary* • *Survey Trip Sheets*	• *August 2021, February 2022, June 2022.* • *Three years of data were noted to be archived on Omnitrans' network.*

e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

Results - We inquired regarding the system of internal controls noting that each respective mode/type of service is being reviewed by personnel independent of the preparation process. On a regular basis, data from the TransTrack System for the MBDO, MBPT and DRPT modes of service are being reviewed for completeness and reasonableness by the Planning and Scheduling Manager for the MBDO and MBPT modes and the Operations Services Supervisor for the DRPT mode.

f. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.

Results – For the MBDO, MBPT, and DRPT modes, we noted that data was collected though an automated system which was initiated by the drivers when they logged in and was ultimately collected by a supervisor who compiled this data into a monthly results report for all modes which would be used by Omnitrans in its external and internal reporting. Per inquiry with the Accounting Manager we noted that the Director of Finance would sign off on this compiled monthly results report to indicate that he had performed a review over this source data. We inspected the monthly performance report utilized for June 2022 and noted a signature evidence of the Director of Finance review.

g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

   Results – We obtained the worksheets utilized by Omnitrans to transcribe statistics to the Federal Funding Allocation Statistics form and compared the data to summaries without exception. We tested the arithmetical accuracy of the summarizations without exception. We noted that the FTA had disabled the FFA-10 forms for the 2022 report year until the Census Bureau releases the new Urbanized Area (UZA) definitions and detailed UZA boundary maps in the winter of 2022. As such, we were not able to agree the calculated final data to the Federal Funding Allocation Statistics form.

h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the *2022 Policy Manual*.

   Results – Sampling was conducted for the MBDO, MBPT, and DRPT modes. We inspected the sampling methodologies and noted that the sampling methodology used met the requirements of the *2022 Policy Manual* for the MBDO, MBPT, and DRPT modes.

i. Discuss with transit agency staff (the auditor may wish to list the titles of the persons interviewed) the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:

   - The public transit agency serves an UZA with a population less than 500,000 according to the most recent census.
   - The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
   - Service purchased from a seller is included in the transit agency's NTD report.
   - For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2017) and determine that statistical sampling was conducted and meets the 95 percent confidence and ± 10 percent precision requirements.
   - Determine how the transit agency estimated annual PMT for the current report year.

   Results – Omnitrans sampled all three modes in the current year and did not utilize the three year sampling option allowed for purchased transportation modes.

j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

Results – For the MBDO, MBPT, and DRPT modes, we obtained a copy of Omnitrans' methodology used in the statistical sampling to estimate average PM and observed that the methodology used by Omnitrans resulted in a random selection of runs and that the stated sampling procedure was followed without exception.

k. Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulations periods that were tested. Test the arithmetical accuracy of the summary.

Results - For MBDO, we randomly selected a total of 80 route surveys throughout the year. We verified the mathematical accuracy of the Trip Report Details, and that the data was properly input to the accumulation worksheet to calculate the average PM without exception.

For MBPT, we randomly selected 40 route surveys throughout the year. We verified the mathematical accuracy of the Trip Report Details, and that the data was properly input to the accumulation worksheet to calculate the average PM without exception.

For DRPT, we randomly selected 40 route surveys throughout the year. We verified the mathematical accuracy of the Trip Report Details, and that the data was properly input to the accumulation worksheet to calculate the average PM without exception.

l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

Results – The procedure identified above is not applicable. Per inquiry with Omnitrans' management, Omnitrans did not provide charter or school bus services.

m. For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.

Results – For the MBDO and MBPT modes, Omnitrans tracks actual VRM in real time using the Trapeze Intelligent Transportation System from which data is uploaded monthly to the TransTrack Manager System. The results are reviewed by management against total scheduled VRM, and any discrepancies are investigated. The tracking is performed from the first to last stop on fixed routes only and will report deadhead miles separately. We selected August 2021, February 2022, and June 2022, recalculated the MBDO VRMs and compared them to amounts used in the total VRM without exception. We selected August 2021, February 2022, and June 2022, recalculated the difference between the MBPT VRMs and compared them to amounts used in the total VRM without exception.

- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.

Results – This procedure is not applicable because VRMs were measured using real time Trapeze Intelligent Transportation System tracking.

- If actual VRMs are calculated from vehicle logs, select random samples of the vehicle logs, and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Results - For the DRPT mode, Revenue Miles are calculated based on the odometer readings from the first pickup to the last drop off. Deadhead miles were excluded from the Revenue Miles calculations. We selected 40 trips to test and noted that the deadhead miles were not included in the Revenue Miles calculations without exception.

n. For rail modes, review the recording and accumulation sheets for actual VRMs and determine those locomotive miles are not included in the computation.

Results – The procedure identified above is not applicable as Omnitrans does not provide rail service**.**

o. If fixed guideway or High Intensity Busway directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet FTA definition of fixed guideway (FG) or High Intensity Busway (HIB) in that the service is:

- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR); or
- Bus (MB, CB, or RB) service operating over exclusive or controlled access rights-of- way (ROW); and

  i. Access is restricted.
  ii. Legitimate need for restricted access is demonstrated by peak period level of service D or worse on a parallel adjacent highway.
  iii. Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation.

Results – We interviewed the Planning and Scheduling Manager and noted that the MBDO service operates over exclusive access rights-of way (ROW) meeting the FTA's definition of fixed guideways.

p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that he or she computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

Results – We determined that the mileage was computed in accordance with the FTA definitions of FG DRM. Per inquiry with the Planning and Scheduling Manager, we determined that there were no changes during the year that resulted in an increase or decrease in DRMs. We recomputed the average monthly DRM for all reported segments and reconciled the total to the FG DRM without exception.

q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to an FG segment(s), the following apply:

- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
- If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. FTA will make a determination on how to report the DRMs.

Results – Per inquiry of the Planning and Scheduling Manger, there were no temporary interruptions in transit service during the report year.

r. Measure FG/HIB DRM from maps or by retracing route.

Results – We recalculated the length of all fixed guideway directional routes for the MBDO mode of service using publicly available maps without exception.

s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

Results – We interviewed the Planning and Scheduling Manager and noted that no other public transit agencies operate service over the same DRMs as Omnitrans.

t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2022 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2022 report year, the Agency Revenue Service Date must occur within the transit agency's 2022 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Busway segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, FTA will only consider segments continuously reported to the NTD.

   Results – This procedure is not applicable because Omnitrans did not add any new segments during the 2022 report year.

u. Compare operating expenses with audited financial data after reconciling items are removed.

   Results – Operating expenses were compared to the trial balances subject to audit without exception.

v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form.

   Results – We identified the purchased transportation fare revenues reported on the B-30 and reconciled the amounts to the general ledger without exception.

w. If the transit agency's report contains data for purchased transportation services and the procedures in this auditor's review were not applied to the purchased transportation services, obtain a copy of the IAS-FFA regarding data for the purchased transportation service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency does not have an Independent Auditor Statement for the purchased transportation data.

   Results – The data for purchased transportation are included in the reporting by Omnitrans, therefore, no IAS for the purchased transportation services is included.

x. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

Results – We inspected the MBPT and DRPT service contracts and determined that they contained the items noted above without exception. We inquired with the Planning and Scheduling Manager and the Operations Services Supervisor, regarding Omnitrans' retention policy for executed contracts for purchased transportation programs. Per inquiry, the current practice is to retain contracts for at least three years.

y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Results - The U.S. Census Bureau did not release the 2020 census data and therefore the FTA has extended the UZA reporting deadline until further notice. As a result, no testing of UZA reporting is possible as of the date of this NTD Agreed Upon Procedures Report.

z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10 percent, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

Results – The following fluctuations were noted for the data that will be reported on the FFA-10 Form:

- A 3.5% increase for Actual Vehicle Revenue Miles for MBDO
- A 20.7% increase for Passenger Miles for MBDO
- A 5.8% decrease for Operating Expenses for MBDO
- A 14.6% decrease for Actual Vehicle Revenue Miles for MBPT
- An 80.3% increase for Passenger Miles for MBPT
- A 15.4% decrease for Operating Expenses for MBPT
- A 56.4% increase for Actual Vehicle Revenue Miles for DRPT
- A 121.5% increase for Passenger Miles for DRPT
- A 21.9% increase for Operating Expenses for DRPT

A 3.5% increase for Actual Vehicle Revenue Miles for MBDO was noted. Per inquiry with the Service Planning Manager, the increase was the direct result of adjustments to service in response to demand for transportation from the post COVID-19 opening of businesses and schools.

A 20.7% increase for Passenger Miles for MBDO was noted. Per inquiry with the Service Planning Manager, the increase was the direct result of adjustments to service and a 25% increase in passengers relative to the prior year; a response to demand for transportation from the post COVID-19 opening of businesses and schools.

A 5.8% decrease for Operating Expenses for MBDO was noted. Per inquiry with the Accounting Manager, the decrease was the result of two large credit adjustments related to Pension Liabilities and IBNR for Worker's Compensation and General Liabilities that resulted in decreases in operating expenses.

A 14.6% decrease for Actual Vehicle Revenue Miles for MBPT was noted. Per inquiry with the Purchased Transportation Administrator, the decrease was due to the shifting of services from MBPT to MBDO.

An 80.3% increase for Passenger Miles for MBPT was noted. Per inquiry with the Purchased Transportation Administrator, the increase in passenger miles was due to increased ridership from passengers feeling safer to travel after the peak of the COVID-19 peak pandemic had passed.

A 15.4% decrease for Operating Expenses for MBPT was noted. Per inquiry with the Accounting Manager, the decrease was the result of two large credit adjustments related to Pension Liabilities and IBNR for Worker's Compensation and General Liabilities that resulted in decreases in operating expenses.

A 56.4% increase for Actual Vehicle Revenue Miles for DRPT was noted. Per inquiry with the Purchased Transportation Administrator, the increase was due to increased ridership from passengers feeling safer to travel after the peak of the COVID-19 peak pandemic had passed.

A 121.5% increase for Passenger Miles for DRPT was noted. Per inquiry with the Purchased Transportation Administrator, the increase in passenger miles was due to increased ridership from passengers feeling safer to travel after the peak of the COVID-19 peak pandemic had passed.

A 21.9% increase for Operating Expenses for DRPT was noted. Per inquiry with the Accounting Manager, the increase was due in tandem with the increase in service which would result in increases in fuel, security, occupancy, and contractor expenses.

aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by FTA.

Results – We have documented the procedures followed based on the FTA 2022 Policy Manual Exhibit 80 - Federal Funding Allocation Data Review - Suggested Procedures, and noted the documents reviewed and tests performed in our workpapers. Additional procedures were not performed.

Federal Awards Reports in Accordance with the Uniform Guidance
June 30, 2022

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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, 2022, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements, and have issued our report thereon dated December 22, 2022.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

Independent Auditor's Report on Compliance for the 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 the Major Federal Program

Opinion on the Major Federal Program

We have audited Omnitrans' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Omnitrans' major federal program for the year ended June 30, 2022. Omnitrans' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Omnitrans complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Omnitrans and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Omnitrans' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Omnitrans' federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Omnitrans' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Omnitrans' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Omnitrans' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Omnitrans' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Omnitrans' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of 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, 2022, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements. We have issued our opinion thereon dated December 22, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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.

Eide Bailly LLP

Rancho Cucamonga, California
January 19, 2023

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Expenditures	Amounts Passed-Through Subrecipients
U.S. Department of Transportation				
Direct Assistance				
Federal Transit Cluster				
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2017-114	$ 420,799	$ -
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-169	145,510	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2017-032	486,155	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2018-040	187,135	187,135
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-057	17,451,752	17,451,752
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2021-004	1,947,078	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-130	6,625	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-145	117,123	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-148	408,354	-
COVID-19 - Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2021-212	51,912,054	-
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507	CA-2022-033	3,865,017	-
Subtotal - 20.507			76,947,602	17,638,887
Bus and Bus Facilities Formula Program (Bus Program)	20.526	CA-2017-097-00	433,106	-
Subtotal - 20.526			433,106	-
Subtotal - Federal Transit Cluster			77,380,708	17,638,887
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	FY16 64AM18-00760	17,444	-
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CA-2021-185	71,698	-
COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CA-2022-037	71,699	-
Subtotal - 20.513			160,841	-
Subtotal - Transit Services Programs Cluster			160,841	-
National Infrastructure Investments	20.933	CA-2019-156	567,402	567,402
Total - U.S. Department of Transportation			78,108,951	18,206,289
Total Federal Financial Assistance			$ 78,108,951	$ 18,206,289

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, 2022. 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 in the schedule are reported on the accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, 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.

(C) Indirect Cost

Omnitrans has not elected to use the 10% de minimis indirect cost rate.

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 programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Federal Transit Cluster	20.507/20.526

Dollar threshold used to distinguish between Type A and Type B programs:	$2,343,269
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.

January 19, 2023

Board of Directors
Omnitrans
San Bernardino, California

We have audited the financial statements of Omnitrans as of and for the year ended June 30, 2022, and have issued our report thereon dated December 22, 2022. 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 letter dated September 15, 2022, 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 each of Omnitrans' major federal programs 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 December 22, 2022. 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 19, 2023.

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. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. 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. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected missstatements identified as a result of our audit procedures.

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 which are included in the management representation letter dated January 19, 2023.

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, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating 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 Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in Omnitrans' annual reports 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 have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in 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.

Eide Bailly LLP

Rancho Cucamonga, California

Proposition 1B
June 30, 2022

Omnitrans
San Bernardino, California

CPAs & BUSINESS ADVISORS

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

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, 2022, and have issued our report thereon dated December 22, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The 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 audits 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 22, 2022

	PTMISEA (1)	CTSG (2)	Total
Unspent Prop 1B funds as of June 30, 2021	$ 7,210,800	$ 13,260	$ 7,224,060
Prop 1B disbursements during the year ended June 30, 2022	(2,942,846)	(13,474)	(2,956,320)
Interest revenue earned on unspent Prop 1B funds during the year ended June 30, 2022	6,140	214	6,354
Change in FMV CD investments during the year ended June 30, 2022	(7,134)	-	(7,134)
Unspent Prop 1B funds as of June 30, 2022	$ 4,266,960	$ -	$ 4,266,960

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

(2) California Transit Security Grant

Financial Statements
June 30, 2022 and 2021

City of Ontario, 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 Audit of the Financial Statements

Opinions

We have audited 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 years ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the Unites States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 19, 2022

	2022 Article 3	2021 Article 3
Assets		
Accounts receivable	$ -	$ 233,387
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Due to the City of Ontario	$ 85,484	$ 318,871
Deferred Inflows of Resources		
Unavailable revenue	-	233,387
Fund Balance (Deficit)		
Unassigned	(85,484)	(318,871)
Total liabilities, deferred inflows of resources and fund balance	$ -	$ 233,387

See Notes to Financial Statements.

Statements of Revenues, Expenditures and Changes in Fund Balance
Years Ended June 30, 2022 and 2021

	2022 Article 3	2021 Article 3
Revenues		
TDA allocation	$ 233,387	$ -
Expenditures		
TDA expenditures	-	233,387
Net Change in Fund Balance	233,387	(233,387)
Fund Balance (Deficit), Beginning of Year	(318,871)	(85,484)
Fund Balance (Deficit), End of Year	$ (85,484)	$ (318,871)

See Notes to Financial Statements.

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, 2022 and 2021, 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. No expenditures were incurred for the fund in the current year.

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, the City considers revenue to be available if collected within 60 days of the end of the current fiscal period except for sales taxes and grant revenue where the City considers revenue to be available if collected within 90 days and 180 days, respectively, of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred.

C. Accounts Receivable

Receivables are due from the SBCTA as TDA Article 3 receives funds on the reimbursement basis. Receivables are stated at the amount of expenditures eligible for reimbursement. Payments of receivables are allocated to the specific projects approved by the SBCTA.

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 an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The deferred inflows of resources for unavailable revenue represents receivable amounts that were not collected within the Measure I Funds' period of availability.

F. 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.

Unassigned fund balance represents the excess and residual deficit amounts in the TDA Article 3 fund. When expenditures incurred for specific purposes exceed the amounts restricted, it is necessary to report a negative unassigned fund balance.

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.

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.

Required Supplementary Information
June 30, 2022 and 2021

City of Ontario, California
Transportation Development Act Fund

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 233,387	$ 233,387	$ 233,387	$ -
Net Change in Fund Balance	233,387	233,387	233,387	-
Fund Balance (Deficit), Beginning of Year	(318,871)	(318,871)	(318,871)	-
Fund Balance (Deficit), End of Year	$ (85,484)	$ (85,484)	$ (85,484)	$ -

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Expenditures				
Current				
TDA expenditures	$ 233,387	$ 233,387	$ 233,387	$ -
Net Change in Fund Balance	(233,387)	(233,387)	(233,387)	-
Fund Balance (Deficit), Beginning of Year	(85,484)	(85,484)	(85,484)	-
Fund Balance (Deficit), End of Year	$ (318,871)	$ (318,871)	$ (318,871)	$ -

See Note to Required Supplementary Information.

Note 1 - 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, 2022 and 2021

City of Ontario, California
Transportation Development Act Fund

Schedule of Allocations Received and Expended, by Project Year
Year Ended June 30, 2022

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2021	Expenditures	Unspent Allocations at 06/30/2022
Article 3	Bus Stop Pad Installation Project	2021-2022	$ 67,050	$ -	$ -	$ 67,050

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 years ended June 30, 2022, and the related notes to the financial statements and have issued our report thereon dated December 19, 2022. 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 19, 2022

Financial Statements
June 30, 2022 and 2021

City of Rancho Cucamonga, California
Transportation Development Act Fund

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 19, 2022

	2022 Article 3	2021 Article 3
Assets		
Cash	$ -	$ -
Accounts receivable	-	-
Total assets	$ -	$ -
Liabilities and Fund Balance		
Accounts payables	$ -	$ 975
Due to the City of Rancho Cucamonga	9,237	8,262
Total liabilities	9,237	9,237
Fund Balance (Deficit)		
Restricted	(9,237)	(9,237)
Total liabilities and fund balance	$ -	$ -

See Notes to Financial Statements.

	2022 Article 3	2021 Article 3
Revenues		
TDA allocation	$ -	$ 43,575
Expenditures		
Capital		
TDA expenditures	-	51,073
Net Change in Fund Balance	-	(7,498)
Fund Balance, Beginning of Year	(9,237)	(1,739)
Fund Balance (Deficit), End of Year	$ (9,237)	$ (9,237)

See Notes to Financial Statements.

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, 2022 and 2021, 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, 2022, 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. 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.

Unassigned fund balance represents the excess and residual deficit amounts in the TDA Article 3 fund. When expenditures incurred for specific purposes exceed the amounts restricted, it is necessary to report a negative unassigned fund balance.

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.

Note 3 - Due to the City of Rancho Cucamonga

Due to the City of Rancho Cucamonga of $9,237 and $8,262 represents the amounts paid by the City on behalf of the TDA Fund as of June 30, 2022, and June 30, 2021 respectively. The balance will be repaid as the TDA allocations are received.

Note 4 - Deficit Fund Balance

The TDA Fund ended the year with a fund deficit of $9,237. 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, 2022 and 2021

City of Rancho Cucamonga, California
Transportation Development Act Fund

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 398,550	$ -	$ -	$ -
Expenditures				
Capital				
TDA expenditures	398,550	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	(9,237)	(9,237)	(9,237)	-
Fund Balance, End of Year	$ (9,237)	$ (9,237)	$ (9,237)	$ -

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 401,200	$ 86,420	$ 43,575	$ (42,845)
Expenditures				
Capital				
TDA expenditures	401,200	86,420	51,073	35,347
Net Change in Fund Balance	-	-	(7,498)	(7,498)
Fund Balance, Beginning of Year	(1,739)	(1,739)	(1,739)	-
Fund Balance, End of Year	$ (1,739)	$ (1,739)	$ (9,237)	$ (7,498)

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 is at the fund level.

Supplementary Information
June 30, 2022 and 2021

City of Rancho Cucamonga, California
Transportation Development Act Fund

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2021	Expenditures	Unspent Allocations at 06/30/2022
Article 3	Cucamonga Creek Channel Maintenance	2021-22	$ 84,415	$ 84,415	$ -	$ 84,415
Article 3	Haven Sidewalk Improvement	2021-22	227,192	227,192	-	227,192
Article 3	Day Creek Channel Bike Trail	2020-21	403,000	403,000	-	403,000
			$ 714,607	$ 714,607	$ -	$ 714,607

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 years ended June 30, 2022 and 2021 and the related notes to financial statements, and have issued our report thereon dated December 19, 2022. 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, 2022 and 2021.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 19, 2022

Financial Statements
June 30, 2022 and 2021

City of Redlands, California
Transportation Development Act Fund

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, 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.

Eide Bailly LLP

Rancho Cucamonga, California
January 26, 2023

Balance Sheets
June 30, 2022 and 2021

	2022 Article 3	2021 Article 3
Assets		
Due from other governments	$ 13,859	$ 7,314
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Due to the City of Redlands	$ 13,766	$ 7,221
Deferred inflows of resources		
Unavailable revenue	13,859	7,314
Fund Balance (deficit)		
Unassigned	(13,766)	(7,221)
Total liabilities, deferred inflows of resources and fund balance	$ 13,859	$ 7,314

See Notes to Financial Statements.

Statements of Revenues, Expenditures and Changes in Fund Balances
Years Ended June 30, 2022 and 2021

	2022 Article 3	2021 Article 3
Revenues		
TDA allocation	$ -	$ 160,967
Expenditures		
Current		
TDA expenditures	6,545	68,254
Net Change in Fund Balance	(6,545)	92,713
Fund Balance (Deficit), Beginning of Year	(7,221)	(99,934)
Fund Balance (Deficit), End of Year	$ (13,766)	$ (7,221)

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, 2022 and 2021, 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 50.06% 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. 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, 2022 and 2021, 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.

F. 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.

Note 3 - Due from Other Governments

Due from other governments of $13,859 represents amounts that have been incurred by the City and expected to be received from SBCTA subsequent to year end. The amount is also included in unavailable revenues as it was not received within the City's period of availability.

Note 4 - Deficit Fund Balance

The TDA Article 3 Transportation Fund ended the fiscal year with the deficit fund balance of $13,766.

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.

Supplementary Information
June 30, 2022 and 2021

City of Redlands, California
Transportation Development Act Fund

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ -	$ 1,180,448	$ -	$ (1,180,448)
Expenditures				
TDA expenditures	-	1,173,134	6,545	1,166,589
Net Change in Fund Balance	-	7,314	(6,545)	(13,859)
Fund Balance (Deficit), Beginning of Year	(7,221)	(7,221)	(7,221)	-
Fund Balance (Deficit), End of Year	$ (7,221)	$ 93	$ (13,766)	$ (13,859)

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ -	$ 1,295,075	$ 160,967	$ (1,134,108)
Expenditures				
TDA expenditures	-	1,195,048	68,254	1,126,794
Net Change in Fund Balance	-	100,027	92,713	(7,314)
Fund Balance (Deficit), Beginning of Year	(99,934)	(99,934)	(99,934)	-
Fund Balance (Deficit), End of Year	$ (99,934)	$ 93	$ (7,221)	$ (7,314)

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.

Supplementary Information
June 30, 2022 and 2021

City of Redlands, California
Transportation Development Act Fund

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2021	Expenditures	Unspent Allocations at 06/30/2022
Article 3	Transit Stop Access Program	2021-22	$ 46,340	$ -	$ -	$ 46,340
Article 3	Highland/Redlands Regional Connector Loop Project	2019-20	157,934	157,934	-	157,934
Article 3	East Valley Corridor Bike Route	2017-18	264,401	157,696	-	157,696
Article 3	Orange Blossom Trail Project	2013-14	918,722	811,164	6,545	804,619
	Total Allocations		$ 1,387,397	$ 1,126,794	$ 6,545	$ 1,166,589

Match Requirements

Certain projects require a local match. The City has utilized the Local Transportation Fund, General Fund and HSIP Cycle 7 Grant for the match. The funding for the matching amounts is as follows:

13/14 Orange Blossom Trail Project	$ 1,155
Total Match provided	$ 1,155

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, 2022 and the related notes to the financial statements and have issued our report thereon dated January 26, 2023. 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
January 26, 2023

Financial Statements
June 30, 2022 and 2021

City of Rialto, California
Transportation Development Act Fund

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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 years ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2023, 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.

Eide Bailly LLP

Rancho Cucamonga, California
March 17, 2023

	2022 Article 3	2021 Article 3
Assets		
Cash and investments	$ -	$ 20,872
Accounts receivable	387,021	161,021
Total assets	$ 387,021	$ 181,893
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Due to the City of Rialto	$ 205,192	$ -
Deferred inflows of resources		
Unavailable revenue	387,021	161,021
Fund balance (deficit)		
Restricted	-	20,872
Unassigned	(205,192)	-
Total liabilities, deferred inflows of resources and fund balance	$ 387,021	$ 181,893

See Notes to Financial Statements.

	2022 Article 3	2021 Article 3
Revenues		
TDA allocation	$ -	$ 361,021
Expenditures		
Current		
TDA expenditures	226,000	-
Revenues Over/(Under) Expenditures	(226,000)	361,021
Other Financing Sources (Uses)		
Transfers to other Funds	(64)	-
Net Change in Fund Balance	(226,064)	361,021
Fund Balance (Deficit), Beginning of Year	20,872	(340,149)
Fund Balance (Deficit), End of Year	$ (205,192)	$ 20,872

See Notes to Financial Statements.

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, 2022 and 2021, 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, 2022 and 2021, the cash balance of the TDA fund is $0 and $20,872, respectively.

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 an acquisition of net assets that applies to future periods and will not be recognized as an inflows or resources (revenue) until that time. 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.

F. 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.

Note 3 - Accounts Receivable

Accounts receivable of $387,021 and $161,021 represent the TDA revenues which had not been received from SBCTA as of June 30, 2022 and June 30, 2021, respectively.

Note 4 - Due to the City of Rialto

Due to the City of Rialto of $205,192 and $0 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, 2022 and June 30, 2021, respectively.

Note 5 - Fund Balance

The TDA Fund reported a deficit fund balance of $205,192 as of June 30, 2022 and a fund balance of $20,872 as of June 30, 2021. 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, 2022 and 2021

City of Rialto, California
Transportation Development Act Fund

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ -	$ 1,168,518	$ -	$ (1,168,518)
Expenditures				
Current				
TDA expenditures	-	1,408,949	226,000	(1,182,949)
Revenues Over/(Under) Expenditures	-	(240,431)	(226,000)	14,431
Other Financing Sources (Uses)				
Transfers to other Funds	(64)	(64)	(64)	-
Net Change in Fund Balance	(64)	(240,495)	(226,064)	14,431
Fund Balance, Beginning of Year	20,872	20,872	20,872	-
Fund Balance (Deficit), End of Year	$ 20,808	$ (219,623)	$ (205,192)	$ 14,431

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ -	$ -	$ 361,021	$ 361,021
Expenditures				
Current				
TDA expenditures	240,432	240,432	-	240,432
Net Change in Fund Balance	(240,432)	(240,432)	361,021	601,453
Fund Balance (Deficit), Beginning of Year	(340,149)	(340,149)	(340,149)	-
Fund Balance (Deficit), End of Year	$ (580,581)	$ (580,581)	$ 20,872	$ 601,453

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 is at the fund level.

Supplementary Information
June 30, 2022 and 2021

City of Rialto, California
Transportation Development Act Fund

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 6/30/2021	Expenditures	Unspent Allocations at 6/30/2022
Article 3	Easton Sidewalk Improvements	2019	$ 226,000	$ 226,000	$ 226,000	$ -
Article 3	Merrill Safe Routes to School	2021	639,405	639,405	-	639,405
Article 3	Sycamore Safe Routes to School	2021	457,616	-	-	457,616
			$ 1,323,021	$ 865,405	$ 226,000	$ 1,097,021

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, 2022 and the related notes to the financial statements, and have issued our report thereon dated March 17, 2023. 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on 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.

Eide Bailly LLP

Rancho Cucamonga, California
March 17, 2023

Finding No.	Description	Status
2021-001	Financial Reporting	Implemented

Financial Statements
June 30, 2022 and 2021

San Bernardino County, California
Transportation Development Act Funds

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Transportation Development Act Article 3 and Article 8 Funds (TDA Funds) of the San Bernardino County, California (County), as of and for the year ended June 30, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the TDA Funds of the County, as of June 30, 2022 and June 30, 2021, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 County as of June 30, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2023, on our consideration of the County'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 of the County'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 of the County's internal control over financial reporting and compliance, as it relates to the TDA Funds.

Eide Bailly LLP

Rancho Cucamonga, California
January 6, 2023

	2022 Article 3	2022 Article 8
Assets		
Due from other governments	$ -	$ -
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities		
Due to other County funds	$ -	$ -
Deferred Inflows of Resources		
Unavailable revenue	-	-
Fund Balance		
Restricted	-	-
Total liabilities, deferred inflows of resources, and fund balance	$ -	$ -

	2021 Article 3	2021 Article 8
Assets		
Due from other governments	$ 147,430	$ -
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities		
Due to other County funds	$ 147,430	$ -
Deferred Inflows of Resources		
Unavailable revenue	147,430	-
Fund Balance		
Restricted	(147,430)	-
Total liabilities, deferred inflows of resources, and fund balance	$ 147,430	$ -

	2022 Article 3	2022 Article 8
Revenues		
TDA allocation	$ 161,006	$ 71,561
Expenditures		
TDA expenditures	13,576	71,561
Net Change in Fund Balance	147,430	-
Fund Balance, Beginning of Year	(147,430)	-
Fund Balance, End of Year	$ -	$ -

	2021 Article 3	2021 Article 8
Revenues		
TDA allocation	$ 124,663	$ 225,598
Expenditures		
TDA expenditures	272,093	225,598
Net Change in Fund Balance	(147,430)	-
Fund Balance, Beginning of Year	-	-
Fund Balance, End of Year	$ (147,430)	$ -

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 San Bernardino County, California (County), as of June 30, 2022 and 2021, 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 County 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/Treasurer/Tax Collector. Following instruction from SBCTA, funds are disbursed from the County Local Transportation Fund to the participating agency. In accordance with the agreement, the County is required to provide matching funds equal to 16% of the project costs. The County satisfied the 16% match in the fiscal year by utilizing County funding for 16% of the total project costs incurred.

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

A. Basis of Accounting

The County accounts for the activity of the Article 3 and Article 8 TDA Funds in its Transportation Operations Fund, which is a special revenue fund. The TDA Article 3 funds are also recorded in the County's general fund.

The accounts of the County 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 County accounts for TDA activities in separate general ledger accounts within the County's Transportation special revenue fund and the general fund.

B. Measurement Focus and Basis of Accounting

The special revenue funds of the County 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 270 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 County 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 County and are disclosed in the County's basic financial statements. The County's basic financial statements can be obtained at the Auditor-Controller/Treasurer/Tax Collector's Office or website.

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 County's investment pool are made on the basis of $1 and not fair value. Accordingly, the TDA Funds' investment in the County's investment pool is measured 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. 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 County considers restricted funds to have been spent first.

Note 3 - Due from Other Governments

Due from other governments in the amount of $147,430 at June 30, 2021 represents the County's cost incurred during the year on related TDA projects that were reimbursed by SBCTA after year end.

Note 4 - Due to Other County Funds

The County funds TDA projects and then seeks reimbursement of the costs incurred from SBCTA. Due to other County Funds in the amount of $147,430 at June 30, 2021 represent the amount funded by other County funds that will be reimbursed to those funds once the TDA allocation is received.

Note 5 - Unavailable Revenue

Unavailable revenues in the amount of $147,430 at June 30, 2021 represent amounts that have been earned but not received within the County's period of availability. Revenues will be recognized once the amounts are received by the County.

Required Supplementary Information
June 30, 2022 and 2021

San Bernardino County, California
Transportation Development Act Funds

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 161,006	$ 161,006	$ 161,006	$ -
Expenditures				
TDA expenditures	161,006	161,006	13,576	147,430
Net Change in Fund Balance	-	-	147,430	147,430
Fund Balance, Beginning of Year	(147,430)	(147,430)	(147,430)	-
Fund Balance, End of Year	$ (147,430)	$ (147,430)	$ -	$ 147,430

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 124,663	$ 124,663	$ 124,663	$ -
Expenditures				
TDA expenditures	272,093	272,093	272,093	-
Net Change in Fund Balance	(147,430)	(147,430)	(147,430)	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	$ (147,430)	$ (147,430)	$ (147,430)	$ -

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 71,561	$ 71,561	$ 71,561	$ -
Expenditures				
TDA expenditures	71,561	71,561	71,561	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 225,598	$ 225,598	$ 225,598	$ -
Expenditures				
TDA expenditures	225,598	225,598	225,598	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -

Note 1 - Budgetary Data

The County adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America. The County's TDA Article 8 activity is recorded in the County's main transportation fund. As such, the legally adopted budget is for the Transportation Operations Fund, of which TDA Article 8 activity is included. The County's TDA Article 3 activity is recorded within the County's general fund and the main transportation fund described above. The legal level of budgetary control is at the Fund level.

Supplementary Information
June 30, 2022

San Bernardino County, California
Transportation Development Act Funds

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2021	Expenditures	Unspent Allocations at 06/30/2022
Article 8	Streets & Road Maintenance	2021-22	$ 71,561	$ -	$ 71,561	$ -
Article 3	Bloomington Area Schools Project Pedestrian Improvements	2021-22	85,500	-	-	85,500
Article 3	Third Street and Other Roads Bus Stop Improvements	2021-22	69,300	-	-	69,300
Article 3	Joshua Tree Class I Bike Path Reconstruction	2017-18	161,006	13,576	13,576	-
Article 3	Santa Ana River Trail - Waterman to Alabama	2000-01	559,940	306,639	-	306,639
		Total allocations	$ 947,307	$ 320,215	$ 85,137	$ 461,439

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 San Bernardino County, California (County), as of and for the years ended June 30, 2022 and the related notes to the financial statements and have issued our report thereon dated January 6, 2023. 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 County as of June 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Funds of the County 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 audits, 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 County’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.

Eide Bailly LLP

Rancho Cucamonga, California
January 6, 2023

Financial Statements
June 30, 2022 and 2021

City of Twentynine Palms, California
Transportation Development Act Fund

Table of Contents

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 20, 2022

Balance Sheets
June 30, 2022 and 2021

	2022 Article 8	2021 Article 8
Assets		
Cash and investments	$ 198,337	$ 393,013
Interest receivable	381	334
Total assets	$ 198,718	$ 393,347
Liabilities and Fund Balance		
Liabilities		
Accounts payable	$ 9,113	$ 5,890
Fund Balance		
Restricted	189,605	387,457
Total liabilities and fund balance	$ 198,718	$ 393,347

See Notes to Financial Statements.

	2022 Article 8	2021 Article 8
Revenues		
TDA allocation	$ -	$ 75,585
Interest income (loss)	(1,935)	2,265
Total revenues	(1,935)	77,850
Expenditures		
Capital		
TDA expenditures	195,917	181,561
Revenues Over/(Under) Expenditures	(197,852)	(103,711)
Other Financing Sources (Uses)		
Transfers to the City of Twentynine Palms	-	(10,000)
Net Change in Fund Balance	(197,852)	(113,711)
Fund Balance, Beginning of Year	387,457	501,168
Fund Balance, End of Year	$ 189,605	$ 387,457

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, 2022 and 2021, 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 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, and within 6 months for grants, 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, 2022, cash balance is $198,337 and $393,013 as of June 30, 2021.

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.

E. 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.

Note 3 - Transfers to the City of Twentynine Palms

During the year ended June 30, 2022 and June 30, 2021, the Fund transferred $0 and $10,000, respectively, to the City of Twentynine Palms for administrative expenses associated with the Fund, including payroll, invoicing, staff reports, and TDA reporting.

Note 4 - Excess of Expenditures over Appropriations

Expenditures for the year ended June 30, 2022 of $195,917 exceeded appropriations of $159,955. The legal level of budgetary control is at the fund level, resulting in excess appropriations of $35,962. This occurred due to various projects being delayed and taking longer to complete than originally expected.

Required Supplementary Information
June 30, 2022 and 2021

City of Twentynine Palms, California
Transportation Development Act Fund

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ -	$ -	$ -	$ -
Interest income (loss)	-	-	(1,935)	(1,935)
Total revenues	-	-	(1,935)	(1,935)
Expenditures				
Capital				
TDA expenditures	159,955	159,955	195,917	(35,962)
Revenues Over/(Under) Expenditures	(159,955)	(159,955)	(197,852)	(37,897)
Net Change in Fund Balance	(159,955)	(159,955)	(197,852)	(37,897)
Fund Balance, Beginning of Year	387,457	387,457	387,457	-
Fund Balance, End of Year	$ 227,502	$ 227,502	$ 189,605	$ (37,897)

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
TDA allocation	$ 75,585	$ 75,585	$ 75,585	$ -
Interest income	-	-	2,265	2,265
Total revenues	75,585	75,585	77,850	2,265
Expenditures				
Capital				
TDA expenditures	253,584	253,584	181,561	72,023
Revenues Over/(Under) Expenditures	(177,999)	(177,999)	(103,711)	74,288
Other Financing Sources (Uses)				
Transfers to the City of Twenynine Palms	(10,000)	(10,000)	(10,000)	-
Net Change in Fund Balance	(187,999)	(187,999)	(113,711)	74,288
Fund Balance, Beginning of Year	501,168	501,168	501,168	-
Fund Balance, End of Year	$ 313,169	$ 313,169	$ 387,457	$ 74,288

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 $35,962 for the year ended June 30, 2022.

Supplementary Information
June 30, 2022 and 2021

City of Twentynine Palms, California
Transportation Development Act Fund

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2021	Expenditures	Unspent Allocations at 06/30/2022
Article 8	Street Maintenance	2020-21	$ 75,585	$ 75,585	$ -	$ 75,585
Article 8	Streets & Road Maintenance	2019-20	205,842	205,842	131,174	74,668
Article 8	Streets & Road Maintenance	2018-19	480,712	64,743	64,743	-
			$ 762,139	$ 346,170	$ 195,917	$ 150,253

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, 2022 and the related notes to the financial statements and have issued our report thereon dated December 20, 2022. 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-002 to be a significant deficiency.

Report on 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 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, which are described in the accompanying Schedule of Findings and Responses as item 2022-001.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 20, 2022

2022-001 Excess Expenditures over Appropriations
Material Weakness, Noncompliance

Criteria:

The City is responsible for ensure compliance with its adopted budgets, and adjust or react to changes in a timely manner. The legal level of budgetary control for its budget is the fund level.

Condition:

For the year ended June 30, 2022, the Fund reported $35,962 of excess expenditures over budgeted appropriations.

Cause:

The City's budget for the Fund was not amended for excess appropriations of $35,962 during the year ended June 30, 2022.

Effect:

Excess expenditures over budgeted appropriations of $35,962 are disclosed in Note 4 to the financial statements, as the City did not comply with its budget.

Recommendation:

We recommend the City evaluate its procedures for monitoring budget versus actual expenditures, and amend budget in a timely manner when appropriate.

Views of Responsible Officials:

Unfortunately, due to unforeseen circumstances, various projects took longer to complete than expected and carried forward to fiscal year 2021-22. Management commits to enhancing its monitoring and oversight procedures to ensure the City complies with its budget.

2022-002 Fair Market Value Adjustment
Significant Deficiency

Criteria:

Investments are required to be reported at fair market value in accordance with U.S. Generally Accepted Accounting Principles.

Condition:

The LAIF investment balance, which is tracked based on amortized cost, was not reported at fair value. As of June 30, 2022, the LAIF allocation was 0.987125414, resulting in a loss as of year-end. As a result, we proposed an adjustment of $2,958 to reduce the value of the LAIF investment and related interest income (loss).

Cause:

The City considered fair value of LAIF immaterial City-wide, and initially didn't record or allocated an adjustment to the TDA Fund.

Effect:

TDA Fund cash and investments was overstated by $2,958.

Recommendation:

We recommend the City incorporate procedures to consider and post a fair market value adjustment for LAIF to the cash and investment balances held in the TDA Fund.

Views of Responsible Officials:

The City considered FMV adjustments at both the City-wide and Fund Level and does not typically post FMV adjustments if the adjustment is not considered significant, based on management's judgment. The $16,512 adjustment is only 1.4% of the fund's cash and investment balance of $1,217,083, which management does not consider to be significant; however, management has agreed to record the proposed LAIF adjustment for FY21/22.

Basic Financial Statements
June 30, 2022

Victor Valley Transit Authority

(A Joint Powers Authority)

EideBailly

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Directors
Victor Valley Transit Authority
San Bernardino, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Victor Valley Transit Authority (VVTA) as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise VVTA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of VVTA, as of June 30, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VVTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VVTA ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VVTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the VVTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, and the schedule of contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 February 14, 2023, on our consideration of VVTA'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 VVTA'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 VVTA's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
February 14, 2023

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2022

This discussion and analysis of the Victor Valley Transit Authority's (Authority) financial performance for the fiscal year ended June 30, 2022, provides a financial summary of the Authority's current year results in comparison to the prior year. It should be read in conjunction with the accompanying, financial statements, and notes to the financial statements.

The Management's Discussion and Analysis (MD&A) section of the Authority's annual financial report provides condensed comparative data and briefly discusses the financial activities during the fiscal year ended June 30, 2022. It is a separate but an integral part of the financial statements and notes that follow. The purpose of this MD&A is to promote an understanding of the Authority's financial statements.

The financial statements of the Authority supply information using accounting methods similar to those used by private sector companies. These statements offer short and long-term information about its activities.

The *Statement of Net Position* includes all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides the basis for evaluating the capital structure, liquidity, and overall financial integrity of the Authority.

The *Statement of Revenues, Expenses and Changes in Net Position* displays the revenues, expenses, and changes in net position for the Authority and measures the success of operations over the past year. It can be used to determine credit worthiness and whether revenue sources matched, exceeded, or failed to meet expenses.

The final financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It accounts for the cash and cash equivalents balance available at the beginning of the year and at year's end. It displays cash received, cash expended, and the net change in the amount of cash and cash equivalents.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2022

HIGHLIGHTS

- Net Position: Overall Net Position for Fiscal Year 2021 – 2022 is $80,147,309 and was largely impacted by an increase in Net Investment in Capital Assets of $2,337,144, as well as an increase in Unrestricted Net Position of $5,008,214. These changes are explained in detail in this analysis.

- The value of the Authority's capital assets (net of deletions, depreciation, and amortization) increased by $1,519,885 or 1.8%. This increase was caused by investment in new assets of $9,196,810 offset by depreciation, amortization and asset retirement costs totaling $7,676,925. This increase in depreciable asset value also had a significant impact on the overall ending net position as explained later in this discussion.

- The Authority's overall operations statistics were impacted this year by the annual increase of the Operations and Maintenance contractor rate. This increase is consistent with the transit service required by the Authority to provide the highest quality transportation services and reflects the need for private contractors to pay bus operators a living wage. Additionally, FY 21/22 shows significant increase in the fuel expenses due to the increase of the fuel market prices countrywide plus the increase of all supplies and services prices due to the significant increase in the inflation rate.

- Program revenues: Passenger Fares increased by 20% or $285,799, when compared to the prior year. This 20% increase is due to the gradual return to normal after the previous two years of the COVID pandemic. Other program revenues for FY 21/22 totaled $3,379,020 representing an increase of $771,857 when compared to the prior year other program revenues of $2,607,163. This increase is due to the increase of the CNG Renewable Identification Numbers (RINS) Credits plus receiving $900,000 California's Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) Funds, offset by the decrease of the market bank interest rates and the decrease of the Low Carbon Fuel Standard (LCFS) credits. Federal Grants for operating increased by $5,875,777 due to the support of COVID-19 CARES ACT Federal Funds for Operating Expenses. No local match is required for the Federal CARES ACT Funds.

- Capital revenues contributed by Federal, State and Local agencies totaled $5,829,875 these sources were provided by grants to support specific capital purchases. Capital purchases vary greatly from year to year depending on the needs and objectives of the Authority. The funds received were enough to meet the capital needs of the agency for FY 21/22.

- Total revenues increased by 17% from $38,922,940 in FY 20/21 to $45,416,763 in FY 21/22 largely due to the increase of the State and Local Grants and the increase of the Federal Operating funds to meet the increase in the operating expenses for the reasons mentioned above.

- Total expenses including depreciation and interest, for the fiscal year totaled $38,068,924 which represents an increase of $3,134,300 or 9% when compared to the prior fiscal year. This was impacted by the increase in operating expenses by 14% or $3,469,811 due to the increase of the Operations and Maintenance contract annual rate, plus the increase of the fuel market prices as mentioned above, plus the increase in the inflation rate that impacted the costs of all supplies and services. Furthermore, there was a decrease in General and Administrative costs of 20% or $714,717 compared to prior year most of which were due to the reclassification of software and other expenses related to operating, plus expenses in the prior year included IT supplies, software, and equipment to support a telework schedule during the pandemic years.

- Cash and equivalents at end of year were $30,212,557. Of this amount, $21,127,531 is available for operations, with the balance restricted by grant agreements or governing body policy to be used on specific capital projects including the purchasing of rolling stock, capital improvements, repairs, and equipment for the Authority's facilities.

  Included in this cash position is $2,870,709 which is restricted by a debt agreement in connection with the 2016 Certificates of Participation (COP) which funded construction of the Authority's Hesperia facility and 2018 COP for the construction of the new facility in Barstow. $598,454 in Prop 1B funds and $262,171 in Low Carbon Transit Operations Program (LCTOP) funds, plus $1,404,960 in State of Good Repair (SGR) funds. These funds are restricted by grant agreements for certain capital projects, as well as $6,214,317 restricted by the Authority's Governing Board for specific capital projects.

- In FY14/15 VVTA adopted the provisions of GASB68 which had implications on costs and net position of the Authority. Statement 68 was issued by GASB in June 2012, requiring public employers who participate in a defined benefit pension plan administered as a trust or similar arrangement (such as CalPERS), to comply with new accounting and financial reporting standards. These standards required, amongst other things, that risk pooled employers like VVTA, would have to report their proportionate share of collective Net Pension Liability (NPL), Pension Expenses, and Deferred Inflows/Outflows of resources, from the funds that CalPERS managed. Prior to GASB 68, VVTA reported only amounts contributed by VVTA to the CalPERS retirement plan on behalf of eligible participating staff members, as an expense without indication of a shared liability for future potential pension expenses. In the FY21/22 financial statements, VVTA has reported its proportionate share of collective Net Pension Asset (NPA), Pension Expenses, and Deferred Inflows/Outflows of resources. These requirements had a very minor impact on VVTA's overall financial statements. Ending proportionate share of NPA for VVTA in FY21/22 was $143,469 or 0.1% of total Assets.

  Additional information pertaining to the specific impact of these Statements and the treatment on the Authorities' financial statements are detailed in the "notes to the financial statements" and in the "Required Supplementary Information" section following the notes.

FINANCIAL ANALYSIS OF VICTOR VALLEY TRANSIT AUTHORITY

One of the most important questions asked is "*Is the Authority better off or worse off as a result of the year's activities?*" The Statement of Net Position and the Statement of Revenues and Expenses provide information about the Authority's activities to help answer that question. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or weakening. The Authority accounts for all transactions in an enterprise fund which uses the full accrual basis of accounting. The activity shown in Table A-1 represents all activity through that fund.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES

A summary of the Authority's *Statement of Net Position* is presented in Table A-1.

Table A-1
Condensed Statement of Net Position

	30-Jun		Dollar	Percentage
	2022	2021	Change	Change
Current Assets	$ 35,476,352	$ 29,056,691	$ 6,419,661	**22.1%**
Capital assets (net)	83,855,268	82,335,383	1,519,885	**1.8%**
Net Pension Asset	143,469	-	143,469	
Total Assets	**$ 119,475,089**	**$ 111,392,074**	**$ 8,083,015**	**7.3%**
Deferred Outflows (pensions)	552,745	384,931	167,814	
Deferred Outflows (refunding)	871,616	929,724	(58,108)	
Total Assets & Deferred Outflows	**$ 120,899,450**	**$ 112,706,729**	**$ 8,192,721**	**7.3%**
Current Liabilities	10,786,905	8,840,849	1,946,056	
Non-Current Liabilities	29,845,067	30,798,907	(953,840)	
Net Pension Liability	-	265,609	(265,609)	**0.0%**
Total Liabilities	**$ 40,631,972**	**$ 39,905,365**	**$ 726,607**	**1.8%**
Deferred Inflows	120,169	1,894	**118,275**	
Net Position				
Net investment in capital assets	53,767,014	51,429,870	2,337,144	
Restricted for Debt Service	2,870,709	2,868,228	2,481	
Unrestricted	23,509,586	18,501,372	5,008,214	
Total Net Position	**$ 80,147,309**	**$ 72,799,470**	**$ 7,347,839**	**10.1%**
Total Liabilities, Deferred Inflows & Net Position	**$ 120,899,450**	**$ 112,706,729**	**$ 8,192,721**	**7.3%**

Table A-1 shows the Authority's total net position increased from $72,799,470 in FY20/21 to $80,147,309 in FY 21/22 or 10.1% because of the current year's activities and as explained further in this report.

- **Current assets** increased by $6,419,661 or 22%, the increase is mainly due to the increase of the Accounts Receivables for the Federal and State Funds, plus funds in FY22 were derived from the sale of LCFS credits, HVIP credits and the RINS credits, plus the increase in both Federal and State Operating Funds to meet the required actual increase in Operating Expenses.

- **Total Capital Assets** (net of depreciation) **increased by $1,519,885.** This change reflects the net activity in the capital asset accounts including additions and retirements of assets as well as accumulated depreciation expense charges. This increase indicates that the Authority's investment activity in capital assets was more than its charges and increased by 1.8% as compared to the prior year.

	FY2022	**FY2021**
Land	$2,102,780	$1,693,350
Construction in Process	369,517	556,888
Total Non-Depreciable	**2,472,297**	**2,250,238**
Property & Equipment (net)	81,382,971	80,085,145
Total Capital Assets (net)	**$83,855,268**	**$82,335,383**

The ending balance of $369,517 in the Construction in Progress account is for the new Transfer Center in Hesperia plus the security Cameras project in Hesperia, Barstow and Victorville Facilities, and the Landscaping in Hesperia and Barstow.

Investment of $8,116,006 in Property and Equipment was purchased capital assets of five (5) Battery Electric Buses BEB New Flyer – XE Electric Urban buses used in Fixed Route operations, and (3) new services vehicles used to provide driver relief and supervisory support to the transit system. We also upgraded our ChargePoint bus chargers to accommodate the new BEB buses and completed the Demand Response system, and driver barriers were installed in all buses. Additionally, there were bus stop improvements with new and replacement bus shelters and shelter amenities, facility improvements, maintenance equipment, and computer equipment to support the Authority's transit facilities in Hesperia and Barstow, California.

- **Total Liabilities slightly increased by $726,607** when compared to FY 20/21 due to the increase in Unearned Revenues and Long-term liabilities (due within one year), offset by the decrease in accounts payable and accrued liabilities, compensated absences, and net pension liability.

- **Net position – Net Investment in capital assets in the amount of $53,767,014.** This was a result of the net activity in capital asset and liability accounts including additions and retirements of Capital Assets as well as accumulated depreciation expense charges and increases or decreases in liabilities as explained earlier in this discussion.

- **Net position in the amount of $2,870,709 is restricted for debt service on a long-term lease arrangement maturing in 2037.** These funds are reserved as required by finance lease documents 2016 COP and 2018 COP to provide security to the lessor for future lease payment obligations by the Authority. These funds will remain in this restricted status until the lease agreements mature in 2037.

- **Net position in the amount of $23,509,586 is unrestricted.** Unrestricted net position, is the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

REVENUES – EXPENSES – AND CHANGES IN NET POSITION

While the Statement of Net Position shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

Table A-2
Statement of Revenues, Expenses and Changes in Net Postion

Revenues	**30-Jun**		**Dollar**	**Percentage**
Program Revenues (operating):	**2022**	**2021**	**Change**	**Change**
Charges for Services (Fares)	$ 1,718,977	$ 1,433,178	$ 285,799	19.9%
Federal Grants-Operating	15,693,478	9,817,701	5,875,777	
State and Local Grants-Operating	18,795,413	16,416,459	2,378,954	
Other Revenues	3,379,020	2,607,163	771,857	
Capital Revenues:				
Federal Grants	4,307,724	4,677,520	(369,796)	
State and Local Grants	1,522,151	3,970,919	(2,448,768)	
Total Revenues	**$ 45,416,763**	**$ 38,922,940**	**$ 6,493,823**	**16.7%**
Program Expenses				
Operations	27,544,766	24,074,955	3,469,811	**14.4%**
General and Administration	2,923,742	3,638,459	(714,717)	**-19.6%**
Depreciation and Amortization	6,396,584	5,984,099	412,485	**6.9%**
Capital Expenses:				
Capital Interest Expense:	1,203,832	1,237,111	(33,279)	
Total Expenses	**$ 38,068,924**	**$ 34,934,624**	**$ 3,134,300**	**9.0%**
Changes in net position	**$ 7,347,839**	**$ 3,988,316**	**$ 3,359,523**	
Net Position - Beginning of year	**$ 72,799,470**	**$ 68,811,154**	**$ 3,988,316**	**5.8%**
Net Position - End of year	**$ 80,147,309**	**$ 72,799,470**	**$ 7,347,839**	**10.1%**

As shown on Table A-2, **Fare Revenues** increased by $285,799 or 20% in FY 21/22. This increase is due to the gradual back to normal after two years of the COVID – 19 pandemic impacts on FY 19-20 and FY 20-21.

Program Revenues to support operations received from Federal increased by $5,875,777 or 60% as compared to the prior year. The Federal operating grants increased due to the Federal COVID-19 CARES ACT Funds that were received to support the operating expenses.

Other Program Revenues for FY21/22 totaled $3,379,020 increased by $771,857 when compared to the prior year, this increase is due to the receiving of the HVIP credits, plus using some of the CNG Credits that was restricted by the Board for specific projects, and these projects started in FY21-22.

Capital revenues contributed by Federal, State and Local agencies totaled $5,829,875, decreased by $2,818,564. Capital revenues from these sources were provided by grants to support specific capital purchases. Capital purchases vary greatly from year to year depending on the needs and objectives of the Authority. The funds received were enough to meet the capital needs of the agency for FY 21/22 which are detailed in this report's discussion of "Net Position".

Total Revenues increased by $6,493,823 or 16.7% from $38,922,940 in FY 20-21 to $45,416,763 in FY 21/22, mainly due to the increase of the Federal and State Operating Funds to meet the increase of the Operating Expenses for the reasons mentioned above.

Program Expenses shows an increase in operating expenses of $3,469,811 or 14% due the annual increase of the Operations and Maintenance contractor rates, plus the increase of the fuel market prices as mentioned above and the high increase in inflation which impacted and increased all supplies and services market prices. The General and Administration Expenses decreased by of $714,717 or 20%. Depreciation expense increased $412,485 or 7% due to the increase in the investment in capital assets as mentioned above.

FINANCIAL CONDITION

Overall, the Authority's financial condition remained strong and stable as a result of various planned program activity growth along with continued capital investment. The Authority continues to enjoy strong financial support from a variety of sources including Federal, State and Local funding sources as well as continuing an aggressive program of growing other projects such as Hydrogen fueling station infrastructure to support the plan for transitioning rolling stock to Hydrogen Fueled Battery Electric. Additionally, the Federal government has pledged increased and stable support for transit overall, from which the Authority will continue to benefit. This strong financial condition is evidenced in Table A-1, which shows the Authority's total ending net position of **$80,147,309**, of more than last year by $7,347,839.

Some specific activities that have led to the Authority's financial condition as of June 30, 2022, include:

- This fiscal year, the authority invested $8 million in new capital asset acquisitions including vehicles and equipment. This robust investment demonstrates that the Authority's access to capital funding through Federal, State, and local sources remains strong. The Authority's investment strategy is based on need for expansion, innovation, technology upgrades and maintenance of its existing services. Capital asset investment in FY21/22 is forecasted to remain strong from investment in new rolling stock including Hydrogen Electric Buses, as well as continued capital investments in its facilities.

- The Authority continued its extensive program for increasing the number of Battery Electric Buses, bus shelters, benches, solar lights, and other passenger amenities. This program of bus stop improvements will continue into the next fiscal year. Also continuing into the next fiscal year is the infrastructure needed to support VVTA's battery electric buses and hydrogen fuel stations plus the new transfer hub in Hesperia.

- In June 2015, the Authority was designated as a Consolidated Transportation Services Agency (CTSA) for the High and North Desert regions of San Bernardino County. This represented an expanding role and commitment to the Authority's already established Mobility Management department and increased the VVTA service area from 425 to 950 square miles. Through the CTSA designation, the Authority has locked in Federal and Local funding and increased other funding opportunities through local non-profit partnerships. Throughout FY21/22 and despite the COVID-19 pandemic, the Authority continued to maintain and support these programs and expanded these services.

- The Authority continued to invest in its Vanpool program operated under the management of its CTSA Division and the direction of the COO. This program provides support for residents of the Authority's service area who must commute out of the service area for work as well as for those commuting into our service area for employment. These vanpools serve to reduce traffic congestion and improve the environment through the lowering of carbon emissions. Additionally, the Authority reports the passenger miles produced by these vanpools which continues to generate additional federal apportionment funding. These additional Federal funds are used for capital and operating support and expansion of VVTA's other transportation services. During the pandemic year the Authority has continued and maintained its commitment to the Vanpool program in FY21/22 with further plans to market and grow the program.

- FY 21/22 VVTA continued its agreement with Trillium CNG which replaced the BP agreement effective October 1st, 2020. This natural gas is used to create Compressed Natural Gas (CNG) fuel for the Authority's fleet of vehicles. The contract with Trillium has now provided the Authority with a source of renewable natural gas (RNG), which has resulted in substantial reductions in greenhouse emissions. Additionally, the Authority generated $804k in LCFS credits plus $517K of RINS Credits as a direct result of the RNG sourcing. The Authority will continue to source this valuable and environmentally friendly fuel in FY22/23.

- The overall financial outlook for the Authority's programs and services remains strong, with a continued commitment to investment in capital assets, technologies and services coupled with fiscally responsible management that protects the investments of the Authority, its' member jurisdictions, and its investors while providing the highest quality public transportation services to the communities it serves.

CONTACTING THE AUTHORITY

This financial report is designed to provide our citizens and customers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions regarding this report or require additional financial information, please contact Mr. Maged Azer, CFO at: Victor Valley Transit Authority, 17150 Smoke Tree St., Hesperia, California 92345.

Assets	
Current Assets	
Cash	$ 21,127,531
Cash and investments with fiscal agent - restricted	2,870,709
Cash and investments - Board reserved	6,214,317
Receivables	
Federal, State, and other local grants	4,268,038
Other	249,398
Leases	110,516
Interest	452
Prepaid expenses	546,506
Fuel inventory	88,885
Total current assets	35,476,352
Noncurrent Assets	
Net pension asset	143,469
Capital Assets	
Capital assets not being depreciated	2,472,297
Capital assets, net of accumulated depreciation	81,225,448
Right to use leased assets, net of accumulated amortization	157,523
Capital assets, net	83,855,268
Total assets	119,475,089
Deferred Outflows of Resources	
Deferred amounts related to pensions	552,745
Deferred amounts related to debt refunding	871,616
Total deferred outflows of resources	1,424,361
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	2,554,779
Unearned revenues	6,955,422
Compensated absences	161,901
Long-term liabilities - due within one year	1,114,803
Total current liabilities	10,786,905
Noncurrent Liabilities	
Long-term liabilities - due in more than one year	29,845,067
Total liabilities	40,631,972
Deferred Inflows of Resources	
Deferred amounts related to pensions	16,089
Lease related	104,080
Total deferred inflows of resources	120,169
Net Position	
Net investment in capital assets	53,767,014
Restricted for	
Debt service	2,870,709
Unrestricted	23,509,586
Total net position	$ 80,147,309

Operating Revenues	
Fares	$ 1,651,197
Special transit fares	67,780
Total operating revenues	1,718,977
Operating Expenses	
Operations	27,544,766
General and administration	2,923,742
Depreciation and amortization	6,396,584
Total operating expenses	36,865,092
Operating Loss	(35,146,115)
Non-Operating Revenues and Expenses	
Operating Assistance	
Federal Transit Administration Section 5307, operating	14,236,254
Federal Transit Administration Section 5310	22,511
Federal Transit Administration Section 5311	1,416,350
Federal Transit Administration Section 5316	1,611
Federal Transit Administration Section 5317	16,752
Local Transportation Fund, operating	15,172,670
Measure I	1,785,157
AB 2766	250,000
Gain on disposal of assets	70,147
Interest income	108,628
LCFS credit sales	612,780
State - LCTOP	1,587,586
Miscellaneous	482,135
HVIP credits	900,000
CNG credits	1,205,330
Interest expense	(1,203,832)
Total non-operating revenues and expenses	36,664,079
Income (Loss) Before Capital Contributions	1,517,964
Capital Contributions	
Federal Transit Administration Section 5307, capital	4,240,941
Federal Transit Administration Section 5339, capital	66,783
Local Transportation Fund, capital	1,013,321
State Transit Assistance Fund	202,419
Proposition 1B	152,149
State of Good Repair	154,262
Total capital contributions	5,829,875
Change in Net Position	7,347,839
Net Position, Beginning of Year	72,799,470
Net Position, End of Year	$ 80,147,309

Operating Activities	
Cash received from fares	$ 1,718,977
Payments to employees	(653,649)
Payments to vendors for services	(32,181,348)
Net Cash used in Operating Activities	(31,116,020)
Non-Capital Financing Activities	
Operating grants received	42,052,034
Capital and Related Financing Activities	
Capital grants received	6,085,643
Purchase of capital assets	(7,731,148)
Principal payments	(875,000)
Interest paid	(1,300,468)
Cash paid for lease liabilities - principal portion	(24,359)
Cash paid for lease liabilities - interest portion	(6,585)
Cash received on lease receivables	11,726
Cash received for interest on lease receivables	3,927
Proceeds from disposal of capital assets	70,147
Net Cash used in Capital and Related Financing Activities	(3,766,117)
Investing Activities	
Interest received	104,249
Net Cash from Investing Activities	104,249
Net Increase in Cash and Cash Equivalents	7,274,146
Cash and Cash Equivalents, Beginning of Year	22,938,411
Cash and Cash Equivalents, End of Year	$ 30,212,557
Reconciliation of Cash and Cash Equivalents to Statement of Net Position	
Cash	$ 21,127,531
Cash and investments with fiscal agent	2,870,709
Cash and investments Board reserved	6,214,317
Total cash and cash equivalents	$ 30,212,557

Reconciliation of Operating Loss to Net Cash used in Operating Activities	
Operating Loss	$ (35,146,115)
Adjustments to Reconcile Operating (Loss) to Net Cash used in Operating Activities	
Depreciation expense and amortization	6,396,584
Changes in assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	(108,852)
Fuel inventory	(65,164)
Net pension asset	(143,469)
Increase (decrease) in liabilities	
Accounts payable and accrued liabilities	(1,538,824)
Compensated absences	(90,952)
Net pension liability	(265,609)
Deferred outflows of resources related to pension	(167,814)
Deferred inflows of resources related to pension	14,195
Total adjustments	4,030,095
Net Cash used in Operating Activities	$ (31,116,020)
Schedule of Non-Cash Investing, Capital and Financing Activities	
Lease liability for the acquisition of a right to use leased asset	$ (185,321)
Lease receivable and deferred inflows recognized on lessor lease transaction	122,242
Gain on disposal of assets	70,147
Lease revenue recognized	6,436

Note 1 - Organization

Victor Valley Transit Authority (VVTA) is a joint powers authority whose members are the cities of Adelanto, Barstow, Hesperia, Victorville, the Town of Apple Valley and the County of San Bernardino First and Third district. VVTA provides bus services to these cities, as well as the communities of Lucerne Valley, Phelan, Pinon Hills, Wrightwood, Helendale, Oro Grande, Fort Irwin, Hinkley, Newberry Springs, and Yermo, as a means of meeting the transit needs of various transit-dependent groups within their 950-square mile geographic service area. The bus services VVTA provides includes fixed route services, deviated route services, County deviated routes, ADA para-transit routes, and commuter services. Additionally, VVTA is designated as a Consolidated Transportation Services Agency (CTSA) for the High Desert and North Desert regions of San Bernardino County and provides a variety of services to support transit dependent groups that are unable to access its standard transit services. Through direct contracts with vendor providers as well as cooperative agreements with various non-profit organizations, VVTA's CTSA supports a Vanpool Program, Car Share program, Travel Reimbursement Incentive Program (TRIP), and directly provides Travel Training services. CTSA services are provided for rural areas of the North Desert, the communities of Trona and Big River in addition to the communities listed above. VVTA is governed by a Board of Directors comprised of seven (7) representatives. Five Board members are elected council members each appointed by the cities they represent as well as the San Bernardino County Supervisors representing the First and Third County districts.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Accounting – VVTA'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, regardless of the timing of related cash flows.

Cash and cash equivalents includes demand deposits and amounts invested in savings and trustee 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.

Cash and investments with fiscal agent restricted – Certain VVTA accounts are restricted by debt agreements to fund specified debt service requirements. At June 30, 2022, the balance held with fiscal agent pursuant to this agreement was $2,870,709.

Fair Value Measurements – Investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. All fair values are determined by external consultants. Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized 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.

Grants for operating assistance and capital acquisitions are included in revenue in the period in which the grant was earned. Federal capital grant funds claimed on a reimbursement basis have receivables for grant funds recorded as the related obligations 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 are recorded as capital contributions.

Prepaid Expenses – Prepaid expenses include inventories and costs for certain payments to vendors that reflect costs applicable to future accounting periods. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Fuel Inventory – Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of fuel for VVTA vehicles. The cost of such inventories is recorded as expenses when consumed rather than purchased. The value of fuel held at the transit facility on June 30, 2022, was $88,885.

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

Building and improvements	5 to 40 years
Operations equipment	3 to 12 years
Furniture and office equipment	3 to 10 years

VVTA's capitalization threshold is $1,500. 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.

Right to use leased assets are recognized at the lease commencement date and represent VVTA's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

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.

Operating and Non-Operating Revenue – VVTA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from directly providing services in connection with VVTA's principal operation of bus transit services. These revenues are primarily passenger fares. Non-operating revenues consist of federal, state and local operating grants, fuel tax credits, and investment income.

Operating Expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as Non-Operating Expenses.

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 VVTA's policy to use restricted resources first, and then unrestricted resources as they are needed.

Lease Receivables are recorded by VVTA as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate VVTA charges the lessee.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of VVTA's participation in the California Public Employees Retirement System (CalPERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported to 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.

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. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. VVTA reports a deferred outflow related to pensions. VVTA also reports a deferred amount related to debt refunding which represents the remaining unamortized balance of the difference between the carrying value of the refunded debt and the reacquisition price.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. VVTA reports deferred inflows related to pensions. The second item is deferred inflows related to leases where VVTA is the lessor and is reported in the statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

Long-Term Obligations – In the statement of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Lease Liabilities represent VVTA's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by VVTA.

New Accounting Pronouncements

Effective in Current Year

GASB Statement No. 87 – As of July 1, 2021, VVTA adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. As a result of these adjustments there was no effect on beginning net position. The additional disclosures required by this standard are included in Notes 9 and 10.

Effective in Future Years

VVTA is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The 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. VVTA has not determined the effect on the financial statements.

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 to 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. VVTA 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. VVTA has not determined the effect of this Statement.

GASB Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022.* The objectives of this Statement are to enhance comparability in accounting and reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to extension of the use of the London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statements No. 53 and No. 63 are effective upon issuance. The requirements of this Statement related to leases, Public-Private and Public-Public Partnerships (PPPs), and Subscription-Based Information Technology Arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements of this Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. VVTA has not determined the effect on the financial statements.

GASB Statement No. 100 – In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. VVTA has not determined the effect on the financial statements.

GASB Statement No. 101 – In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. VVTA has not determined the effect on the financial statements.

Note 3 - Legal Settlement, Solar Panel Rebates, and CNG Tax Credits

During the fiscal year ending June 30, 2014, VVTA received a legal settlement from the insurance companies of the primary contractor of the Administrative Office Facility in the amount of $1,622,018. VVTA's Board of Directors approved to set aside these funds for future major repairs and renovation of the facility into an Administration/Maintenance Facility Reserve. The balance of these funds will be tracked separately on an annual basis. The balance is included in the unrestricted net position on the Statement of Net Position.

VVTA has received SCE Solar Panel Rebates totaling $115,808 in prior years. VVTA's Board of Directors has approved to allocate these rebates to the Administration/Maintenance Facility Reserve. The balance of these funds will be tracked separately on an annual basis. The balance is included in the unrestricted net position on the Statement of Net Position.

VVTA has accumulated unspent CNG tax credits totaling $234,166. VVTA's Board of Directors has approved to allocate these tax credits to a Capital Reserve for Battery Electric Bus (BEB) Infrastructure project. The balance of these funds will be tracked separately on an annual basis. The balance is included in the unrestricted net position on the Statement of Net Position. VVTA also received $1,205,330 of CNG credits during the year ended June 30, 2022. Since VVTA buses used Compressed Natural Gas CNG, and per the Taxpayer Certainly and Disaster Tax Relief Act of 2020, (Public Law 116-260) enacted on December 27, 2020 as part of the Consolidated Appropriations Act 2021, which extended the fuel tax (Excise Tax) credits through December 31, VVTA received $1,205,330 of CNG Compressed Natural Gas Credits from the IRS during the year ended June 30, 2022.

VVTA has received Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) credits totaling $900,000. VVTA's Board of Directors has approved to allocate these the purchase of five Battery Electric Bus's (BEB's). The balance of these funds will be tracked separately on an annual basis. The balance is included in the unrestricted net position on the Statement of Net Position.

San Bernardino County Transportation Authority (SBCTA) has agreed that these funds are available to be retained and expended based upon the direction provided by VVTA's Board in accordance with existing Board Resolutions.

Note 4 - Federal, State, and Local Grants

Federal Assistance

Under the provision of the Federal Transit Administration (FTA), funds are available to VVTA for operating assistance, security, and various capital costs. Total FTA assistance provided during the fiscal year ended June 30, 2022 was $20,001,202.

Transportation Development Act

VVTA 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. VVTA receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971. These funds are generated within San Bernardino County and are distributed based on annual claims filed by VVTA 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 as of June 30, 2022 is as follows:

	Operating Funds	Capital Funds	Total
Beginning Balance, July 1, 2022	$ -	$ 3,458,063	$ 3,458,063
Gross Receipts			
Local Transportation Fund			
Article 4	18,892,278	330,721	19,222,999
Federal Transportation Administration			
Section 5307	-	3,819,527	3,819,527
Section 5307 CARES ACT	14,236,254	-	14,236,254
Section 5310	22,511	-	22,511
Section 5316	1,611	-	1,611
Section 5317	16,752	-	16,752
Section 5339	-	66,783	66,783
State Transportation Fund, Article 6.5	-	200,208	200,208
Measure I	1,781,059	-	1,781,059
AB2766	250,000	-	250,000
LCTOP	-	514,750	514,750
Prop 1B (PTMISEA/CTAF)	-	2,788	2,788
State of Good Repair	-	909,503	909,503
Fares	1,718,977	-	1,718,977
RINS Credits & LCFS Credits	-	521,983	521,983
Total gross receipts	36,919,442	6,366,263	43,285,705
Operating Expenses, Less Depreciation	31,672,340	-	31,672,340
Capital Acquisitions	-	8,116,006	8,116,006
Receipts Over (Under) Expenses In Current Period	5,247,102	(1,749,743)	3,497,359
Amount Unearned at June 30, 2022	$ 5,247,102	$ 1,708,320	$ 6,955,422

B. Section 99268.4 and 99405

Section 99268.4 indicates that in the case of an operator which is providing services using vehicles for the exclusive use of elderly and handicapped persons, the operator shall be eligible for the Local Transportation Funds commencing with claims for the 1980-81 fiscal year if it maintains, for the fiscal year, a ratio of fare revenue to operating costs at least equal to 10-percent for the elderly and handicapped service or a ratio of fare revenue to combined operating costs at least equal to 18-percent.

Section 99405(c) indicates that the 50-percent limitation shall not apply to the allocation to a city, county, or transit district for services under contract pursuant to subdivision (c) or (d) of Section 99400. The city, county or transit district shall be subject to Sections 99268.3, 99268.4, 99268.5, or 99268.9, as the case may be, and shall be deemed an operator for purposes of those sections, or shall be subject to regional, countywide, or county subarea purposes of those sections, or shall be subject to regional, countywide, or county subarea performance criteria, local match requirements, or fare recovery ratios adopted by resolution of the transportation planning agency or the county transportation commission for those services.

Pursuant to Section 99405, VVTA was granted a fare ratio requirement of 18-percent by SBCTA in September 2017 however these requirements have been waived in the current year as a result of the ongoing COVID-19 pandemic.

The fare ratio as of June 30, 2022, is calculated as follows:

	Motor Bus Routes	Handicapped Demand Response	Total
Operating Expenses	$ 33,079,397	$ 4,989,527	$ 38,068,924
Less: Depreciation	(5,697,601)	(698,983)	(6,396,584)
Less: Exemptions	(3,086,448)	-	(3,086,448)
Adjusted Operating Expenses	$ 24,295,348	$ 4,290,544	$ 28,585,892
Fare Revenue	$ 1,503,690	$ 215,287	$ 1,718,977
Fare Ratio	6.2%	5.0%	6.0%
Local Funds (Measure I) used by the operator to supplement fare box revenues to satisfy the fare ratio as permitted by section 99268.19	1,785,157	-	1,785,157
Adjusted Fare Revenue	$ 3,288,847	$ 215,287	$ 3,504,134
Adjusted Fare Ratio	13.5%	5.0%	12.3%
Total fare ratio pursuant to P.U.C. Sections 99405(c) and 99268.4	18.0%	11.0%	18.0%

Proposition 1B

The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund and the California Transit Assistance Fund (CTAF) are 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 Proposition 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, security, disaster response 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:

	PTMISEA
Unspent Prop 1B Funds as of July 1, 2021	$ 754,276
Prop 1B funds interest earned fiscal year ended June 30, 2022	2,788
Prop 1B expenses incurred during fiscal year ended June 30, 2022	(152,149)
Unearned Balance, June 30, 2022	$ 604,915

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 funds as of June 30, 2022, was $242,647.

State of Good Repair

The State of Good Repair (SGR) program is a part of the Road Repair and Accountability Act of 2017, Senate Bill (SB) 1, signed by the Governor on April 28, 2017 in order to provide additional revenues for transit infrastructure repair and services improvements. These funds are to be made available for eligible transit maintenance, rehabilitation and capital projects. SGR cash receipts, cash disbursements, and unearned balance were as follows:

	SGR
Unspent SGR Funds as of July 1, 2021	$ 635,483
SGR Funds funds received & interest earned during fiscal year ended June 30, 2022	906,073
SGR funds interest earned fiscal year ended June 30, 2022	3,430
SGR expenses incurred during fiscal year ended June 30, 2022	(154,262)
Unearned Balance, June 30, 2022	$ 1,390,724

Note 5 - Cash and Investments

Cash and Investments are classified in the accompanying financial statements as follows:

Cash	$ 21,127,531
Cash and investments with fiscal agent - restricted	2,870,709
Cash and investments - Board reserved	6,214,317
Total	$ 30,212,557

**Cash balance includes $604,915 of unspent Prop 1B grant funds which are restricted by grant covenants for specific capital projects and are not available for operating expenses or liabilities related to operating costs.

Cash and Investments consist of the following:

Deposits with Financial Institutions	$ 27,341,848
Cash and Cash Equivalents Held with Fiscal Agent	2,870,709
Total	$ 30,212,557

Policies and Practices

VVTA 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. VVTA does not have a formal policy for investments that is more restrictive than the noted Government Code.

Investments of cash within the new facility project and accompanying funds held by the lease trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that 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. VVTA does not have a formal policy related to its investments 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. Holdings held by the trustee are insured by the trust agreement. VVTA does not have a formal policy related to its investments 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, VVTA 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. VVTA 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, 2022, VVTA holds cash deposits with Desert Community Bank $27,336,934 in excess of FDIC insurance limits. These amounts are collateralized by securities held by the bank.

Fair Value Hierarchy

VVTA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Various inputs are used in determining the value of VVTA’s investments and other financial instruments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. These inputs are summarized in the three broad levels: Level 1 - quoted prices in active markets for identical investments, Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) and Level 3 - significant unobservable inputs (including VVTA’s own assumptions in determining the fair value of investments).

Note 6 - Capital Assets

Capital asset activity for the fiscal years ended June 30, 2022, is as follows:

	Beginning Balance July 1, 2021	Transfers	Additions	Retirements	Ending Balance June 30, 2022
Capital Assets not Being Depreciated					
Land-Hesperia facility	$ 1,500,000	$ -	$ -	$ -	$ 1,500,000
Land-Barstow facility	193,350	-	-	-	193,350
Land-Parking & office	-	-	237,400	-	237,400
Land-Hydrogen station	-	172,030	-	-	172,030
Construction in progress	556,888	(172,030)	1,265,000	(1,280,341)	369,517
Total capital assets not being depreciated	2,250,238	-	1,502,400	(1,280,341)	2,472,297
Capital Assets Being Depreciated					
Bus facility-Hesperia	51,557,723	-	611,840	-	52,169,563
Bus facility-Barstow	11,856,166	-	1,385,231	(110,000)	13,131,397
Operations equipment	51,124,912	-	5,452,654	(2,114,886)	54,462,680
Furniture and office equipment	3,904,226	-	59,364	(24,486)	3,939,104
Total capital assets being depreciated	118,443,027	-	7,509,089	(2,249,372)	123,702,744
Less Accumulated Depreciation					
Bus facility-Hesperia	(10,794,000)	-	(1,380,804)	-	(12,174,804)
Bus facility-Barstow	(553,842)	-	(416,810)	110,000	(860,652)
Operations equipment	(23,540,975)	-	(4,451,775)	2,114,886	(25,877,864)
Furniture and office equipment	(3,469,065)	-	(119,397)	24,486	(3,563,976)
Total accumulated depreciation	(38,357,882)	-	(6,368,786)	2,249,372	(42,477,296)
Net depreciable assets	80,085,145	-	1,140,303	-	81,225,448
Right to use Leased Assets Being Amortized					
Right to use leased land	-	-	185,321	-	185,321
Total right to use leased assets being amortized	-	-	185,321	-	185,321
Less Accumulated Amortization for					
Right to use leased land	-	-	(27,798)	-	(27,798)
Total accumulated amortization	-	-	(27,798)	-	(27,798)
Net right to use leased assets	-	-	157,523	-	157,523
Total capital assets, net	$ 82,335,383	$ -	$ 2,800,226	$ (1,280,341)	$ 83,855,268

Note 7 - Risk Management

VVTA is a member of the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-two participating member agencies: twenty-two cities, four transit agencies and six special districts. VVTA participates in the general liability, property, and business auto physical damage programs of PERMA.

The liability program provides coverage up to $50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. VVTA participates in risk sharing pools for losses of up to $1 million followed by PERMA's membership in the CSAC Excess Insurance Agency (EIA) for $49 million excess liability coverage.

The property insurance program is group purchased under a master property insurance policy with accumulated values from all participants effecting lower rates and broader coverage for members. The program covers real property, business personal property, inland marine coverage for special mobile equipment and business interruption. Commercial property coverage is written on a replacement cost basis, eliminating the traditional commercial "named peril" policy.

The business auto physical damage insurance program is also group purchased under a master insurance policy with accumulated values from all participants effecting lower rates for members. Business auto physical damage is written on an agreed amount basis.

VVTA has not had any settlements that exceeded coverage within the last three (3) years and there have been no significant changes in insurance policies or coverage amounts.

Note 8 - Commitments

VVTA has a 5-year contract with their service provider for operations, Keolis Transit Services. The contract includes services for the Fixed Routes, Demand Response, and commuter routes for Fort Irwin, and County connector routes. This contract is due to expire September 30, 2025. During the year ended June 30, 2022, VVTA paid $22,153,822 under this contract. Future contracted expenses under this Keolis agreement are as follows:

Year Ending June 30,	Amount
2023	$ 25,416,351
2024	27,089,242
2025	28,023,600
2026	7,052,630
Total	$ 87,581,823

VVTA currently contracts through ADA Ride for its ADA eligibility certification process. This contract provides ADA certifications for all disabled transit riders seeking transportation services within ADA guidelines. The current contract was established in 2008 and was renewed on July 20, 2015 for a three-year period plus two one-year extension periods that are added by mutual agreement of the parties. During the year ended June 30, 2022, VVTA paid $31,883 under this contract. The contract renewed from July 20, 2020 to July 30, 2023 with two 1-year options for extension. The maximum cost under this agreement is $400,000 during the contract term, based on services provided each year.

Note 9 - Long-Term Liabilities

The following is a summary of the changes in the principal balance of long-term liabilities for the year ended June 30, 2022:

	Balance at July 01, 2021	Additions	Deletions	Balance at June 30, 2022	Due within One year	Due beyond One year
Governmental Activities						
2016 Refunding Certificates of Participation	$ 18,960,000	$ -	$ (675,000)	$ 18,285,000	$ 710,000	$ 17,575,000
Premium on 2016 Certificates of Participation	2,498,874	-	(146,993)	2,351,881	146,993	2,204,888
2018 Certificates of Participation	9,975,000	-	(200,000)	9,775,000	210,000	9,565,000
Premium on 2018 Certificates of Participation	401,363	-	(14,336)	387,027	14,337	372,690
Leases	-	185,321	(24,359)	160,962	33,473	127,489
Total long-term debt	$ 31,835,237	$ 185,321	$ (1,060,688)	$ 30,959,870	$ 1,114,803	$ 29,845,067

Certificates of Participation - 2016

In 2016, VVTA sold Certificates of Participation in the amount of $23,300,000 to refund the 2007 Lease/Trust Agreement Certificates of Participation. As a result, the 2007 Lease/Trust Agreement Certificates of Participation were retired and the liability for those bonds has been removed from the Statement of Net Position. Proceeds were used to continue to finance the construction of the transit facility located in Hesperia, California. Proceeds were also used to pay delivery costs of the certificates.

Certificates began maturing on July 1, 2016 with semi-annual interest payments due January 1 and July 1 at various interest rates from 2.00 to 5.00 percent. Principal payments are due annually, July 1 at various amounts from $675,000 to $4,335,000. The final principal payment of the certificates is scheduled for July 1, 2037.

As part of the refunding, VVTA pledged farebox revenues as collateral for the issuance. Additionally, debt service payments were to be made from all legally available revenues, including farebox revenues, Federal Transit Assistance Funds, Local Transportation Funds, and State Transit Assistance Funds.

The future lease payment requirements for the refunding are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	$ 710,000	$ 827,550	$ 1,537,550
2024	750,000	792,050	1,542,050
2025	785,000	754,550	1,539,550
2026	825,000	715,300	1,540,300
2027	865,000	674,050	1,539,050
2028-2032	5,015,000	2,677,000	7,692,000
2033-2037	9,335,000	1,290,500	10,625,500
Total	$ 18,285,000	$ 7,731,000	$ 26,016,000

Certificates of Participation - 2018

In 2018, VVTA sold Certificates of Participation in the par amount of $10,475,000 to finance the construction of a new Bus Maintenance Facility on its property in Barstow, California. The debt payment schedule is set for thirty (30) years ending in 2048 with an average annual debt service payment of $640,000. The total amount of debt payments will be $18,163,050. VVTA has pledged its fare box revenues as collateral against the debt. In the event of default by VVTA under the Lease/Trust agreement, the Trustee has the right to exercise any remedy available under law or equity, including declaring all principal components of the unpaid lease payments, together with accrued interest at the rate or rates specified in the respective Outstanding Certificates from the immediately preceding Certificate Payment Date on which payment was made, to be immediately due and payable.

Certificates began maturing on July 1, 2019 with semi-annual interest payments due January 1 and July 1 at various interest rates from 4.00 to 5.00 percent. Principal payments are due annually, July 1 at various amounts from $200,000 to $615,000. The final principal payment of the certificates is scheduled for July 1, 2048.
The future lease payment requirements for the refunding are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	$ 210,000	$ 428,650	$ 638,650
2024	225,000	418,150	643,150
2025	235,000	406,900	641,900
2026	245,000	395,150	640,150
2027	260,000	382,900	642,900
2028-2032	1,500,000	1,707,000	3,207,000
2033-2037	1,490,000	1,296,750	2,786,750
2038-2042	2,255,000	948,600	3,203,600
2043-2047	2,740,000	460,400	3,200,400
2048	615,000	24,900	639,900
Total	$ 9,775,000	$ 6,469,400	$ 16,244,400

Lessee Activities

During the current year, VVTA entered into a lease agreement to lease land for 60 of months, beginning October 2021. VVTA is required to make monthly payments of $3,365, increasing 2.0% annually on the anniversary of the agreement through September 2026. The lease liability was valued using a discount rate of 5.15%, which is VVTA's incremental borrowing rate.

At June 30, 2022, VVTA has recognized a lease liability of $160,962 related to this agreement. During the fiscal year, VVTA recorded $27,798 in amortization expense and $6,585 in interest expense for the right to use the land.

VVTA subleases certain portions of the right to use leased asset to third parties. VVTA's lease for this right to use leased asset is included above as land leases. These subleases represent right to use leased asset of $185,321 as of June 30, 2022. These agreements result in lease receivables of $110,516 and deferred inflows of resources of $104,080 as of June 30, 2022, which are included in the lease receivables tables below.

Remaining obligations associated with these leases are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2023	$ 33,473	$ 7,375
2024	36,063	5,595
2025	38,835	3,647
2026	41,756	1,567
2027	10,835	50
Total	$ 160,962	$ 18,234

Note 10 - Lease Receivable

VVTA has accrued a receivable for two land leases. The remaining receivable for these leases was $110,516 for the year ended June 30, 2022. Deferred inflows related to these leases were $104,080 as of June 30, 2022. Interest revenue recognized on these leases was $3,927 for the year ended June 30, 2022. Principal receipts of $11,726 were recognized during the fiscal year. The interest rate on the leases was 5.15%. Final receipt is expected in fiscal year 2027.

Remaining principal and interest payments on leases are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2023	$ 24,217	$ 5,084
2024	29,124	3,657
2025	31,180	2,093
2026	20,851	664
2027	5,144	33
Total	$ 110,516	$ 11,531

Note 11 - Compensated Absences

Accumulated unpaid personal leave consisting of vacation pay, has been accrued at June 30, 2022 in the amount of $161,901. VVTA's liability for compensated absences is typically liquidated within one year. Compensated absences at the beginning of the year were $252,853, with $250,186 accrued by employees, and $341,138 used by employees during the year. VVTA reports the entire balance within current liabilities, as they expect employees to use annually.

Note 12 - Employees' Retirement Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool and a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. VVTA sponsors two tiers within the miscellaneous plans. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or 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 plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
	Classic	New Member
Hire Date	Prior to January 1, 2013	On or After January 1, 2013
Formula	2.7% @ 55	2% @ 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55	62
Monthly Benefits, as a % of Annual Salary	2.7%	2%
Required Employee Contribution Rates	8%	6.75%
Required Employer Contribution Rates	13.35% plus $26,057	7.59% plus $5,064

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 July 1 following the notice of 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. VVTA is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. During the year, VVTA paid 3-percent of the employee contribution rate for classic members, which are classified as employee contributions. Employer contributions to the pension plan were $231,346 for the year ended June 30, 2022.

Pension Assets, Pension Credit and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022, VVTA reported an asset of $143,469 for its proportionate share of the collective net pension liability (asset).

VVTA's net pension asset is measured as the proportionate share of the net pension asset. The net pension asset is measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021. VVTA's net pension asset for the Plan was measured as the total pension asset, less the pension plan's fiduciary net position.

VVTA's proportionate share of the net pension liability (asset), measured as of June 30, 2020 and 2021, is as follows:

Proportion- June 30, 2021	0.00244	%
Proportion- June 30, 2022	(0.00265)	%
Change- Increase (Decrease)	(0.00509)	%

For the year ended June 30, 2022, VVTA recognized pension credit of $311,334. At June 30, 2022, VVTA 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
Differences between expected and actual experience	$ -	$ 16,089
Net difference between projected and actual earnings on pension plan investments	125,241	-
Difference between VVTA's contributions and proportionate share of contributions	101,819	-
Change in employer's proportion	94,339	-
Contributions subsequent to the measurement date	231,346	-
Total	$ 552,745	$ 16,089

The amount of $231,346 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	
2023	$ 119,379
2024	90,544
2025	60,778
2026	34,609
Total	$ 305,310

Actuarial Assumptions

The June 30, 2020 actuarial valuation was rolled forward to determine the June 30, 2021 total pension asset, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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	7.15% (1)
Mortality	Derived using CalPERS' Membership data

(1) Net of pension plan investment, includes inflation

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

Discount rate

The discount rate used to measure the total pension asset was 7.15 percent. 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 City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and employee rates. 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 asset.

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 net of administrative expenses and are summarized in the following table on the next page:

Asset Class (1)	Target Allocation	Real Rate of Return Years 1 - 10 (2)	Real Rate of Return Years 11+ (3)
Public 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 Equity	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

(1) In the System's comprehensive annual financial report, fixed income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
(2) An expected inflation of 2.00% used for this report
(3) An expected inflation of 2.92% used for this report

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents VVTA's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.15 percent, as well as what VVTA's proportionate share of the net pension liability (asset) 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	$ 284,344
Current Discount Rate	7.15%
Net Pension Liability (Asset)	$ (143,469)
1% Increase	8.15%
Net Pension Liability (Asset)	$ (497,137)

Pension Plan Fiduciary Net Position

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

Note 13 - Deferred Compensation Plan

VVTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all non-represented VVTA 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.

VVTA has adopted the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*. Management believes that VVTA has no fiduciary role under the plan, and plan funds are not available to VVTA's general creditors. Accordingly, VVTA has not reported plan assets in the accompanying financial statements.

Required Supplementary Information
June 30, 2022

Victor Valley Transit Authority

	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the collective net pension liability (asset)	-0.00265%	0.00244%	0.00204%	0.00169%	0.00181%	0.00159%	0.00177%	0.00244%
Proportionate share of the collective net pension liability (asset)	$ (143,469)	$ 265,609	$ 208,643	$ 162,489	$ 179,958	$ 137,916	$ 121,552	$ 151,936
Covered payroll	$ 1,854,850	$ 1,800,825	$ 1,800,825	$ 1,517,121	$ 1,253,046	$ 1,039,065	$ 902,643	$ 690,387
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	-7.73%	14.75%	11.59%	10.71%	14.36%	13.27%	13.47%	22.01%
Plan fiduciary net position as a percentage of the total pension liability	90.49%	77.71%	77.73%	77.69%	73.31%	74.06%	78.40%	79.82%

Note to Schedule:

*Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation; therefore, only eight years are shown.

Changes of Assumption
The discount rate changed from 7.5 percent used for the June 30, 2014 measurement date to 7.65 percent used for the June 30, 2015 measurement date.
The discount rate changed from 7.65 percent used for the June 30, 2016 measurement date to 7.15 percent used for the June 30, 2017 measurement date.

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions - Miscellaneous	$ 231,346	$ 213,449	$ 156,614	$ 166,440	$ 137,899	$ 118,569	$ 97,561	$ 142,248
Contributions in relation to the actuarially determined contribution	231,346	213,449	156,614	166,440	137,899	118,569	97,561	142,248
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,910,495	$ 1,854,850	$ 1,800,825	$ 1,800,825	$ 1,517,121	$ 1,253,046	$ 1,039,065	$ 902,643
Contributions as a percentage of covered payroll	12.11%	11.51%	8.70%	9.24%	9.09%	9.46%	9.39%	15.76%

* Fiscal year 2015 was the first year of implementation; therefore, only eight years are shown.

CPAs & BUSINESS ADVISORS

February 14, 2023

To the Board of Directors
Victor Valley Transit Authority
Hesperia, California

We have audited the financial statements of Victor Valley Transit Authority (VVTA) as of and for the year ended June 30, 2022*,* and have issued our report thereon dated February 14, 2023. 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 letter dated September 8, 2022, 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 VVTA complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on VVTA's major federal program. 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 VVTA 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 VVTA's major federal program compliance, is to express an opinion on the compliance for VVTA's 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 the VVTA's internal control over compliance.

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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 February 14, 2023. 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 February 14, 2023.

Planned Scope and Timing of the Audit

We had previously communicated our audit was expected to issued by December 31, 2022. Our audit was delayed to allow time for us to work with management to address questions and gather supporting documentation related to the adjustments proposed during the audit.

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 VVTA is included in Note 2 to the financial statements. As described in Notes 2, 9 and 10, VVTA changed account policies related to accounting for leases to adopt the provisions of GASB Statement No. 87, *Leases*. Accordingly, the accounting change has been applied to the financial statements ending June 30, 2022, with no impact to beginning balances as of July 1, 2021. 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 net pension liability (asset), related deferred inflows and outflows of resources, pension expense, and disclosures.

Management's estimate of the pension information is based on the actuarial valuations. We evaluated the key factors and assumptions used to develop the estimate and determined that it is 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 VVTA's financial statements relate to:

- The disclosure of VVTA's Federal, State and Local Grants includes various types of revenues, including amounts reported as unearned revenues. VVTA receives various operating and capital grants from Federal, State and local sources, which have varying compliance requirements and revenue recognition requirements, as described in Note 4.

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. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Adjustment of $1,033,104 to increase unearned revenues, which were understated and decrease revenues which were overstated.
- Adjustment of $100,752 to decrease cash and related accrued payroll, which were overstated due to system entry that posted to the incorrect period.
- Adjustment of $80,861 to correct beginning net position due to an accrued vacation entry identified by management.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

- Overstatement of vacation expenses of $80,861, and related understatement of beginning net position, due to adjustment noted above, which was corrected in FY 2021-2022, but related to FY 2020-2021 expenses. As of June 30, 2022, net position is correctly stated.

The effect of these uncorrected misstatements, including the effect of the prior year uncorrected misstatements as of and for the year ended June 30, 2022, is an understatement of net income of $80,861. Net position is correctly stated as of June 30, 2022.

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.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Note 2 to the financial statements, due to the adoption of GASB Statement 87, *Leases,* VVTA reflects these activities within the financial statements, with no impact to beginning net position. We have included an emphasis of matter in our report regarding this adoption.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated February 14, 2023.

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 VVTA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as VVTA's auditors.

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

Eide Bailly LLP

Rancho Cucamonga, California

Federal Awards Reports in Accordance
with the Uniform Guidance
Fiscal Year Ended June 30, 2022

Victor Valley Transit Authority

(A Joint Powers Authority)

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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

To the Board of Directors
Victor Valley Transit Authority
Hesperia, 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 Victor Valley Transit Authority (VVTA) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise VVTA's basic financial statements and have issued our report thereon dated February 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered VVTA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VVTA's internal control. Accordingly, we do not express an opinion on the effectiveness of VVTA'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we considered to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether VVTA'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 Section 6667 of Title 21 of the *California Code of Regulations* and the allocation instructions of the San Bernardino County Transportation Authority, 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.

VVTA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on VVTA's response to the findings identified in our audit and described in the Schedule of Findings and Questioned Costs. VVTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Rancho Cucamonga, California
February 14, 2023

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

To the Board of Directors
Victor Valley Transit Authority
Hesperia, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Victor Valley Transit Authority (VVTA)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on VVTA's major federal program for the year ended June 30, 2022. VVTA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, VVTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of VVTA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of VVTA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to VVTA's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on VVTA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about VVTA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding VVTA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of VVTA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of VVTA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of VVTA as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise VVTA's basic financial statements. We issued our report thereon dated February 14, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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.

Eide Bailly LLP

Rancho Cucamonga, California
February 14, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Grant Number	Expenditures
U.S. Department of Transportation			
Direct Grants			
Federal Transit Cluster			
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	CA-2019-162-00	$ 14,298
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-237-02	2,597,409
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	CA-2021-025-00	322,691
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	CA-2022-049-00	1,306,543
COVID-19 Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	CA-2020-198-01	14,236,254
Bus and Bus Facilities Formula Program (Bus Program)	20.526	CA-2020-237-00	40,697
Bus and Bus Facilities Formula Program (Bus Program)	20.526	CA-2022-049-00	26,086
Total Federal Transit Cluster			18,543,978
Transit Services Programs Cluster			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	64AC18-00694	22,511
Job Access and Reverse Commute Program	20.516	CA-37-X178	1,611
New Freedom Program	20.521	CA-57-XO91	16,752
Total Transit Services Program Cluster			40,874
Passed Through California Department of Transportation			
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	20.509	64V020-01355	679,048
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	20.509	64BO21-01746	737,302
Total Formula Grants for Rural Areas - CFDA 20.509			1,416,350
Total U.S. Department of Transportation			20,001,202
Total Federal Financial Assistance			$ 20,001,202

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Victor Valley Transit Authority (VVTA) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation 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 operation of VVTA, it is not intended to and does not present the financial position, changes in net position, or cash flows of VVTA.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

VVTA has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
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 weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditors' report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 (a)	No

Identification of major federal programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Federal Transit Cluster	20.507, 20.526

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2022-001 **Financial Reporting and Closing**
Material Weakness

Criteria:

Management is responsible for the preparation of the basic financial statements and all accompanying information and well as representations contained therein, and the fair presentation in conformity with U.S. generally accepted accounting principles. This requires management to perform a year-end closing process to accumulate, reconcile and summarize information for inclusion in the annual financial statements.

Condition:

During the audit, we identified the following adjustments:

- Unearned revenue was understated and the related revenues were overstated by $1,033,104, due to gross receipts totaling $137,617 incorrectly included in the calculation of Eligibility for Funds as required by §6634 of the Transportation Development Act, as well as capital acquisitions incorrectly included totaling $895,487.
- Cash and accrued payroll were overstated totaling $100,752.
- Net position and expenditures were overstated totaling $80,861, which relates to VVTA’s adjustment to the accrued leave balance to correct an error identified subsequent to the prior year audit.

Cause:

VVTA’s processes did not allow for the timely adjustments required for financial reporting.

Effect:

Journal entries were posted, and material adjustments made to the financial statements, in order to fairly present the financial statements.

Context:

The condition was noted during our testwork of unearned revenue, cash, net position, and accrued payroll.

Recommendation:

We recommend VVTA review its closing policies and procedures in place to ensure amounts are properly captured, reconciled, classified, and reported. Further, VVTA should review its procedures over the preparation of the Eligibility for Funds calculation as required by §6634 of the Transportation Development Act to ensure there is a documented review and approval, or other appropriate internal control to ensure proper amounts are calculated and reported.

Views of Responsible Officials:

Management agrees with the finding. See attached corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None identified.

None identified.

National Transit Database Report
Agreed-Upon Procedures
For the Period July 1, 2021 through June 30, 2022

Victor Valley Transit Authority

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Independent Accountant's Report

Board of Directors
Victor Valley Transit Authority
Hesperia, California

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form FFA-10 (FFA-10) for the Victor Valley Transit Authority (VVTA) annual National Transit Database (NTD) report:

1. A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.

2. A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.

3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.

4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.

5. The data collection methods are those suggested by FTA or otherwise meet FTA requirements.

6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.

7. Data are consistent with prior reporting periods and other facts known about VVTA's operations.

We have performed the procedures described in Attachment 1 to this report. Management of VVTA is responsible for the accuracy of the NTD data reported in the Federal Funding Allocation Statistics Form 10 (FFA-10) in accordance with the requirements specified *Uniform System of Accounts and Records and Reporting System; Final Rule,* as specified in 49 CFR part 630*, Federal Register, January 15, 1993* and as presented in the *2022 Policy Manual.*

VVTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether VVTA complied with the reporting requirements described above and that the information included in the FFA-10 for the fiscal year ended June 30, 2022 is presented in conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, Federal Register, dated January 15, 1993, and as presented in the 2022 NTD Policy Manual*. Additionally, the FTA has agreed to and acknowledged, as specified in the Declarations section of the *2022 Policy Manual*, that the procedures performed are appropriate to meet their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are listed in Attachment 1 to this report. The procedures were applied separately to each of the information systems used to develop the reported actual VRM, PMT, and OE of VTVA for the fiscal year ended June 30, 2022 for each of the following modes:

(1) Motor Bus - purchased transportation (MBPT), (2) Commuter Bus – purchased transportation (CBPT), (3) Demand Response - purchased transportation (DRPT) and (4) Vanpool Service - purchased transportation (VPPT).

We were engaged by San Bernardino County Transportation Authority (SBCTA) to perform this agreed-upon procedures engagement over VVTA and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accuracy of the FFA-10 data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of VVTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Eide Bailly LLP

Rancho Cucamonga, California
January 17, 2023

Excerpt from the *FTA 2022 Policy Manual* Exhibit 80 - Federal Funding Allocation Data Review Suggested Procedures:

FTA has specified and agreed to a set of procedures for the independent auditor to perform to satisfy the requirements of the Federal Funding Allocation data review. Several of the procedures below require the auditor to select a random sample of documents or data. The procedures do not specify the selected number (i.e., the percentage of the total documents/data). The auditor should use professional judgment to determine the percentage that will enable the auditor to make the required assurances.

The source documents and other records (such as data summaries) may be in the form of digital data files. The auditor should ensure that these files are securely stored and that a contingency plan is in place to ensure that the transit agency retains source documents for a minimum of three years:

a. The procedures to be applied to each applicable mode and type of service (TOS) (directly- operated (DO) and purchased transportation (PT)) are: Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993, and as presented in the 2022 *Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

   Results – We obtained and read a copy of VVTA's Passenger Counting and Reporting (PCR) processing procedures. Based on our inquiry, we noted that VVTA maintains procedures that satisfy the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the *2022 Policy Manual.*

b. Discuss the procedures (written or informal) with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:

   - The extent to which the transit agency followed the procedures on a continuous basis, and
   - Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993, and as presented in the *2022 Policy Manual*.

   Results – We inquired regarding VVTA's procedures for the MBPT, CBPT, DRPT and VPPT services noting that the asserted procedures were consistently applied. In addition, based on our inquiry with the Chief Operating Officer, management asserted that the procedures resulted in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the *2022 Policy Manual.*

c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form.

Results – We inquired with the Chief Operating Officer, regarding VVTA's retention policy for NTD data, Total Modal Operating Expenses data, Actual Vehicle Revenue Mile and Passenger Miles Traveled. Per inquiry, the current practice is to retain electronic data for more than the three-year minimum.

d. Based on a description of the transit agency's procedures from items (1) and (2) above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Results – We inspected the following source documents for each type of service, selected three months out of the year and determined that the documents existed for each of these periods:

Type of Service	Source Document	Months Tested
MBPT	• MBPT Statistics Reports (queried from TransTrack system) • Random Sampling Database • Random Check Driver Trip Sheets • NTD Data Worksheets • Route plans	• August 2021, March 2022, and June 2022. • Three years of data were noted to be archived on VVTA's network.
CBPT	• CBPT Statistics Reports (queried from TransTrack system) • Random Sampling Database • Random Check Driver Trip Sheets • NTD Data Worksheets • Route plans	• August 2021, March 2022, and June 2022. • Three years of data were noted to be archived on VVTA's network.
DRPT	• DRPT Statistics Reports (queried from TransTrack system) • Random Sampling Database • NTD Data Worksheets • Ecolane Productivity Reports • Survey Trip Sheets • Driver Manifests	• August 2021, March 2022, and June 2022. • Three years of data were noted to be archived on VVTA's network.
VPPT	• VPPT Statistics Reports (queried from TransTrack system) • Rider Log-in Website • Vanpool Route data from Website • NTD Data Worksheets	• August 2021, March 2022, and June 2022. • Three years of data were noted to be archived on VVTA's network.

e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

Results – We inquired regarding the system of internal controls noting that each respective mode/type of service is being reviewed by personnel independent of the preparation process. The review is performed monthly for the MBPT, CBPT, DRPT and VPPT modes.

f. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.

Results – We selected a haphazard sample of 5 Check Trip Sheets for the MBPT and CBPT services respectively and identified supervisory signatures documenting reviews of the data presented without exception. For the DRPT service the Survey Trip Sheets are prepared and reviewed by the contractor who provides the survey data to VVTA. Management asserted that the data which is in electronic format is reviewed before being entered into the accumulation worksheets that compiles the NTD data. For VPPT, data is accumulated electronically by the drivers. Management asserted that the data, which is in electronic format, is reviewed before being entered into the accumulation worksheets that compiles the NTD data.

g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

Results – We obtained the worksheets utilized by VVTA to transcribe statistics to the Federal Funding Allocation Statistics form and compared the data to summaries without exception. We tested the arithmetical accuracy of the summarizations without exception. We noted that the FTA had disabled the FFA-10 forms for the 2022 report year until the Census Bureau releases the new Urbanized Area (UZA) definitions and detailed UZA boundary maps. As such, we were not able to agree the calculated final data to the Federal Funding Allocation Statistics form.

h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the *2022 Policy Manual*.

Results – Sampling was conducted for the MBPT, CBPT and DRPT modes. For the current year, FTA has waived the sampling requirement for Report Year 2022 for all agencies with this sampling frequency due to COVID-19. We inspected the sampling methodologies and noted that the sampling methodology used met the requirements of the *2022 Policy Manual* and the Guide: National Transit Database (NTD) Reporting and COVID-19.

The VPPT mode does not involve sampling. This mode used a 100% count of actual PMT.

i. Discuss with transit agency staff (the auditor may wish to list the titles of the persons interviewed) the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:

- According to the 2010 Census, the public transit agency serves an UZA with a population less than 500,000.
- The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
- Service purchased from a seller is included in the transit agency's NTD report.
- For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2017) and determine that statistical sampling was conducted and meets the 95 percent confidence and ± 10 percent precision requirements.
- Determine how the transit agency estimated annual PMT for the current report year.

Results – VVTA meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year. Per the triennial sampling requirement, 2020 was a mandatory sampling year. For 2020, 2021, and 2022 FTA has waived the sampling requirement due to COVID-19. The 2017 statistical sampling was used for the CBPT mode. Statistical sampling for the MBPT and DRPT modes was performed in 2019, and FTA waived sampling for 2022. The VPPT mode does not involve sampling. This mode used a 100% count of actual PMT.

j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

Results – For the MBPT, CBPT and DRPT modes we obtained a copy of VVTA's methodology used in the statistical sampling to estimate average PMT and determined that the methodology used by VVTA resulted in a random selection of runs and that the stated sampling procedure was followed.

The VPPT mode does not involve sampling since it uses a 100% count of actual PMT.

k. Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulations periods that were tested. Test the arithmetical accuracy of the summary.

Results – As described in procedure I, the statistical sampling for MBPT, CBPT and DRPT was waived by FTA due to COVID-19. As such, the procedure identified above is not applicable in the current year. For VPPT, we compared ridership being entered on the Vanpool internet database for September 2021, April 2022, and June 2022 against amounts uploaded to the Data Warehouse without exception. We also tested 6 Vanpool routes and verified the accuracy of calculations used to determine PMT with no exceptions noted as a result of these procedures.

l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual Vehicle Revenue Miles (VRM) with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

Results – The procedure identified above is not applicable. Per inquiry with VVTA's management, VVTA did not provide charter, school bus or other ineligible services.

m. For actual VRM data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.

Results – For the MBPT and CBPT modes, VVTA calculates actual missed vehicle revenue miles using the TransTrack system. The system generates an accumulation of missed revenue miles per trip which are subtracted from scheduled revenue miles. We selected August 2021, March 2022, and June 2022 missed trips for MBPT and CBPT and noted that those trips were subtracted from the scheduled revenue miles. No exceptions with the arithmetic accuracy were noted as the result of these procedures.

- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.

Results – This procedure is not applicable as VRMs are not calculated from hubodometers.

- If actual VRMs are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Results – For the DRPT mode, Revenue Miles are calculated by the Ecolane system based on the odometer readings from the first pickup to the last drop off. Deadhead miles are excluded from the Revenue Miles calculations. We selected 3 months to test and noted without exception that the deadhead miles are not included in the Revenue Miles calculations.

For the VPPT mode deadhead miles are automatically excluded because only commute miles are entered into the calculation of Revenue Miles and the results are reviewed by the Chief Operating Officer.

n. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.

Results – The procedure identified above is not applicable as VVTA does not provide rail service.

o. If fixed guideway or High Intensity Busway Directional Route Miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet FTA definition of fixed guideway (FG) or High Intensity Busway (HIB) in that the service is:

- Rail, trolleybus (TB), Ferryboat (FB), or Aerial Tramway (TR); or
- Bus (Motorbus (MB), Commuter Bus (CB), or Bus Rapid Transit (RB)) service operating over exclusive or controlled access rights-of- way (ROW); and
    i. Access is restricted;
    ii. Legitimate need for restricted access is demonstrated by peak period level of service D or worse on a parallel adjacent highway;
    iii. Restricted access is enforced for freeways; priority lanes used by other HOV (i.e., Vanpools (VP), carpools) must demonstrate safe operation.

Results – The procedure identified above is not applicable as VVTA does not operate using fixed guideways or high intensity directional routes.

p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that he or she computed mileage in accordance with FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

Results – The procedure identified above is not applicable as VVTA does not operate using fixed guideways or high intensity directional routes.

q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to an FG segment(s), the following apply:

- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
- If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. FTA will make a determination on how to report the DRMs.

Results – The procedure identified above is not applicable as VVTA does not operate using fixed guideways or high intensity directional routes.

r. Measure FG/HIB DRM from maps or by retracing route.

Results – The procedure identified above is not applicable as VVTA does not operate using fixed guideways or high intensity directional routes.

s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and Operating Expense (OE) for the service operated over the same FG/HIB.

Results – The procedure identified above is not applicable as VVTA does not operate using fixed guideways or high intensity directional routes.

t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2022 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2021 report year, the Agency Revenue Service Date must occur within the transit agency's 2021 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Busway segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, FTA will only consider segments continuously reported to the NTD.

Results – The procedure identified above is not applicable as VVTA does not operate using fixed guideways or high intensity directional routes.

u. Compare operating expenses with audited financial data after reconciling items are removed.

Results – Operating expenses were compared to the trial balances subject to audit. Variances were noted within the total and interest. For the total, the Form F-40 amount was lower than the general ledger by $308,817. For interest, the Form F-40 amount was $28,672 higher than the general ledger. The differences were the result of the timing of the filing of the Form F-40 and the audited financial data.

v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form.

Results – We identified the purchased transportation fare revenues reported on the B-30 and reconciled the amounts to the general ledger without exception.

w. If the transit agency's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the IAS-FFA regarding data for the PT service. Attach a copy of the statement to the report. Note as a negative finding if the purchased transportation services were not included in this auditor's review, and the transit agency also does not have a separate Independent Auditor's Statement for the purchased transportation data.

   Results – The data for purchased transportation are included in the reporting by VVTA and therefore no IAS for the purchased transportation services is included.

x. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract and determine that copies of the contracts are retained for three years.

   Results – We inspected the MBPT, CBPT, DRPT and VPPT service contracts and determined that they contained the items noted above without exception. We inquired with the Chief Operating Officer, regarding VVTA's retention policy for executed contracts for purchased transportation programs. Per inquiry, the current practice is to retain contracts for ten years.

y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

   Results – The U.S. Census Bureau did not release the 2020 census data and therefore the FTA has extended the UZA reporting deadline until further notice. As a result, no testing of UZA reporting is possible as of the date of this NTD Agreed Upon Procedures Report.

z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10 percent, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

Results – The following fluctuations were noted for the data that will be reported on the FFA-10 Form:

- A 14.8% decrease in Vehicle Revenue Miles for MBPT
- A 11.3% increase in Operating Expenses for MBPT
- A 14.3% increase in Passenger Miles for CBPT
- A 11.9% increase in Operating Expenses for CBPT
- A 38.8% increase in Vehicle Revenue Miles for DRPT
- A 70.0% increase in Passenger Miles for DRPT
- A 31.7% increase in Operating Expenses for DRPT
- A 19.1% increase in Passenger Miles for VPPT
- A 14.0% increase in Operating Expenses for VPPT

A 14.8% decrease in the Vehicle Revenue Miles for MBPT was noted. Per inquiry with the Chief Operating Officer, this was the result planned service reductions as well as unplanned missed service due to severe driver shortages during the reporting year.

A 11.3% increase in the Operating Expenses for MBPT was noted. Per inquiry with the Chief Operating Officer, this was the result of overall operating expenses increasing due to MBPT’s hourly rate related to the termination of the NEXT PT contract replaced by Keolis, increase in fuel market prices across the country, and high inflation rates which impacted the prices of supplies and services.

A 14.3% increase in the Passenger Miles for CBPT was noted. Per inquiry with the Chief Operating Officer, this was the result of unlinked passenger trips and passenger miles travelled resurging more than other services due to the nature of serving Fort Irwin, the National Training Center (NTC), and the military base being less economically impacted by the pandemic than the other services.

A 11.9% increase in the Operating Expenses for CBPT was noted. Per inquiry with the Chief Operating Officer, this was the result of overall operating expenses increasing due to CBPT’s hourly rate related to the termination of the NEXT PT contract replaced by Keolis, increase in fuel market prices across the country, and high inflation rates which impacted the prices of supplies and services.

A 38.8% increase in Vehicle Revenue Miles for DRPT was noted. Per inquiry with the Chief Operating Officer, this was the result of a corresponding increase in passenger demand.

A 70.0% increase in the Passenger Miles for DRPT was noted. Per inquiry with the Chief Operating Officer, this was the result of a corresponding increase in passenger demand for services.

A 31.7% increase in the Operating Expenses for DRPT was noted. Per inquiry with the Chief Operating Officer, this was the result of overall operating expenses increasing due to DRPT's hourly rate related to the termination of the NEXT PT contract replaced by Keolis, increase in fuel market prices across the country, and high inflation rates which impacted the prices of supplies and services.

A 19.1% increase in the Passenger Miles for VPPT was noted. Per inquiry with the Chief Operating Officer, this was the result of a corresponding increase in Vanpool demand.

A 14.0% increase in the Operating Expenses for VPPT was noted. Per inquiry with the Chief Operating Officer, this was the result of expenses, such as passenger fees and capital leasing, that increased but primarily due to out of pocket passenger costs, which included fuel, that increased by approximately 33%.

aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by FTA.

Results – We have documented the procedures followed based on the *FTA 2022 Policy Manual* Exhibit 80 - Federal Funding Allocation Data Review - Suggested Procedures, and noted the documents reviewed and tests performed in our workpapers. Additional procedures were not performed.

Financial Statements
June 30, 2022 and 2021

City of Yucaipa, California
Transportation Development Act Fund

EideBailly®

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and June 30, 2021, 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.

Responsibilities of Management for the Financial Statements

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

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis 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 the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, 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.

Eide Bailly LLP

Rancho Cucamonga, California
January 27, 2023

	2022 Article 3	2021 Article 3
Assets		
Due from other governments	$ 89,728	$ -
Liabilities		
Due to the City of Yucaipa	$ 89,728	$ -
Deferred inflows of resources		
Unavailable revenue	89,728	-
Fund Balance		
Unassigned	(89,728)	-
Total liabilities, deferred inflows of resources and fund balance	$ 89,728	$ -

Statements of Revenues, Expenditures and Changes in Fund Balance
Years Ended June 30, 2022 and 2021

	2022 Article 3	2021 Article 3
Revenues		
TDA allocation	$ -	$ 150,060
Expenditures		
TDA expenditures	89,728	-
Net change in fund balance	(89,728)	150,060
Fund balance, beginning of year	-	(150,060)
Fund balance (Deficit), end of year	$ (89,728)	$ -

See Notes to Financial Statements.

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, 2022 and 2021, 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 a capital project 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.

Capital project funds are used for tracking the financial resources used to acquire or construct major capital assets.

B. Measurement Focus and Basis of Accounting

The capital project 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 120 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, 2022, 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. 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.

Note 3 - Due from Other Governments

Due from other governments of $89,728 represents amounts that have been incurred by the City and expected to be received from SBCTA in FY 2022-23. The amount is also included in unavailable revenues as it was not received within the City's period of availability.

Note 4 - Deficit Fund Balance

The TDA fund ended the year with a deficit fund balance of $89,728. Article 3 revenues are received on a reimbursement basis. The timing difference between the expenditures and receipt of TDA Article 3 revenues has created the deficit fund balance, which will be reduced as TDA Article 3 revenues are received from SBCTA.

Supplementary Information
June 30, 2022 and 2021

City of Yucaipa, California
Transportation Development Act Fund

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations June 30, 2021	Expenditures	Unspent Allocations June 30, 2022
Article 3	Yucaipa City Wide Bus Stop Enhancements	2021-2022	$ 13,200	$ -	$ -	$ 13,200
Article 3	5th Street Phase II Bicycle and Pedestrian Project	2019-2020	326,000	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
			$ 479,430	$ 466,230	$ 89,728	$ 389,702

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, 2022 and the related notes to the financial statements, and have issued our report thereon dated January 27, 2023. 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 or significant deficiencies may exist that have not been identified.

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
January 27, 2023

Financial Statements
June 30, 2022 and 2021

Town of Yucca Valley, California
Transportation Development Act Funds

EideBailly®

Table of Contents
June 30, 2022 and 2021

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022 and June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds, and do not purport to, and do not, present fairly the financial position of the Town as of June 30, 2022 and June 30, 2021, 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 opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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.

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 opinions on the basic financial statements are not affected by the missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of allocations received and expended, by project year, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of the Town'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 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 20, 2022

	2022 Article 3	2022 Article 8
Assets		
Cash and investments	$ -	$ 252,332
Fund Balance		
Restricted	$ -	$ 252,332

	2021 Article 3	2021 Article 8
Assets		
Cash and investments	$ 84,098	$ 260,595
Fund Balance		
Restricted	$ 84,098	$ 260,595

	2022 Article 3	2022 Article 8
Revenues		
Interest income	$ 22	$ 307
Expenditures		
TDA expenditures	-	8,570
Revenues Over/(Under) Expenditures	22	(8,263)
Other Financing Sources (Uses)		
Tranfers out to the Town of Yucca Valley	(84,120)	-
Net Change in Fund Balance	(84,098)	(8,263)
Fund Balance, Beginning of Year	84,098	260,595
Fund Balance, End of Year	$ -	$ 252,332

	2021 Article 3	2021 Article 8
Revenues		
Interest income	$ 30	$ (3,743)
Expenditures		
TDA expenditures	500	1,478,750
Revenues Over/(Under) Expenditures	(470)	(1,482,493)
Other Financing Sources (Uses)		
Transfers in from the Town of Yucca Valley	-	42,725
Net Change in Fund Balance	(470)	(1,439,768)
Fund Balance, Beginning of Year	84,568	1,700,363
Fund Balance, End of Year	$ 84,098	$ 260,595

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, 2022 and 2021, and changes in financial position thereof for the years 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.

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.

A. Basis of Accounting

Governmental Fund Financial Statements

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.

B. 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.

C. Use of 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.

D. Fund Balances

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 Town considers restricted funds to have been spent first.

Note 3 - Transfers out to the Town of Yucca Valley

Transfers out in the amount of $84,120 in the Article 3 fund for the year ended June 30, 2022 represent monies transferred back to the Measure I fund (Fund 524) for amounts not used due to Article 3 projects coming in under budget. As a result of this transfer, the fund balance of the Article 3 fund was reduced to zero.

Note 4 - Transfers in from the Town of Yucca Valley

Transfers in the amount of $42,725 in the Article 8 fund for the year ended June 30,2021 represent monies transferred from the Congestion Management and Air Quality fund (fund 542) to fund expenditures associated with Article 8 projects.

Required Supplementary Information
June 30, 2022 and 2021

Town of Yucca Valley, California
Transportation Development Act Funds

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
Interest income	$ -	$ -	$ 22	$ 22
Revenues Over/(Under) Expenditures	-	-	22	-
Other Financing Sources (Uses)				
Transfers out to the Town of Yucca Valley	-	(84,070)	(84,120)	(50)
Net Change in Fund Balance	-	(84,070)	(84,098)	(28)
Fund Balance, Beginning of Year	84,098	84,098	84,098	-
Fund Balance, End of Year	$ 84,098	$ 28	$ -	$ (28)

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
Interest income	$ -	$ -	$ 30	$ 30
Expenditures				
TDA expenditures	-	500	500	-
Revenues Over /(Under) Expenditures	-	(500)	(470)	30
Other Financing Sources (Uses)				
Transfers in from the Town of Yucca Valley	-	84,070	-	(84,070)
Net Change in Fund Balance	-	83,570	(470)	(84,040)
Fund Balance, Beginning of Year	84,568	84,568	84,568	-
Fund Balance, End of Year	$ 84,568	$ 168,138	$ 84,098	$ (84,040)

June 30, 2022	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
Interest income	$ 5,000	$ 5,000	$ 307	$ (4,693)
Expenditures				
TDA expenditures	-	70,000	8,570	61,430
Net Change in Fund Balance	5,000	(65,000)	(8,263)	56,737
Fund Balance, Beginning of Year	260,595	260,595	260,595	-
Fund Balance, End of Year	$ 265,595	$ 195,595	$ 252,332	$ 56,737

June 30, 2021	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
Revenues				
Interest income	$ 5,000	$ 5,000	$ (3,743)	$ (8,743)
Expenditures				
TDA expenditures	1,152,810	1,569,142	1,478,750	90,392
Revenues Over/(Under) Expenditures	(1,147,810)	(1,564,142)	(1,482,493)	81,649
Other Financing Sources (Uses)				
Transfers in from the Town of Yucca Valley	-	42,725	42,725	-
Net Change in Fund Balance	(1,147,810)	(1,521,417)	(1,439,768)	81,649
Fund Balance, Beginning of Year	1,700,363	1,700,363	1,700,363	-
Fund Balance, End of Year	$ 552,553	$ 178,946	$ 260,595	$ 81,649

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. The legal level of budgetary control is at the fund level.

Supplementary Information
June 30, 2022 and 2021

Town of Yucca Valley, California
Transportation Development Act Funds

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at 06/30/2021	Expenditures	Unspent Allocations at 06/30/2022
Article 3	None*	N/A	$ -	$ -	$ -	$ -
Article 8	Streets & Road Maintenance	2019-20	$ 152,352	$ 145,889	$ 8,570	$ 137,319

* During the fiscal year ended June 30, 2022 the Town incurred $0 of expenditures within the Article 3 Fund 518. TDA Article 3 funds were fully expensed in FY 2019-2020, with the additional expenditures covered through the Town's Measure I fund. In 2019, the SBCTA approved the scope change request for the 2011-12 Civic Center Pedestrian Access Project. As part of the change, the Town revised the project completion date and extended it to December 31, 2022. During the year ended June 30, 2022, the remaining fund balance was transferred back to the Measure I fund, as the project is now closed.

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 years ended June 30, 2022, and the related notes to the financial statements and have issued our report thereon dated December 20, 2022. 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, 2022.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 20, 2022