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Council of Governments

cta
County Transportation Authority

AGENDA
Transit Committee Meeting

March 14, 2024

9:00 AM

Location

San Bernardino County Transportation Authority

First Floor Lobby Board Room
1170 W. 3rd Street, San Bernardino, CA 92410

Transit Committee Membership

Chair
Rick Denison, Council Member
Town of Yucca Valley

Vice Chair
John Dutrey, Mayor
City of Montclair

Eunice Ulloa, Mayor
City of Chino

Ray Marquez, Council Member
City of Chino Hills

Frank Navarro, Mayor
City of Colton

Acquanetta Warren, Mayor
City of Fontana

Sylvia Rodriguez-Robles, Council Member
City of Grand Terrace

Larry McCallon, Mayor Pro Tem
City of Highland

Alan Wapner, Council Member
City of Ontario

L. Dennis Michael, Mayor
City of Rancho Cucamonga

Dawn Rowe, Supervisor
County of San Bernardino

Joe Baca, Jr., Supervisor
County of San Bernardino

San Bernardino County Transportation Authority
San Bernardino Council of Governments

AGENDA

Transit Committee Meeting

March 14, 2024
9:00 AM

<u>Location</u>
SBCTA Office
First Floor Lobby Board Room
1170 W. 3rd Street, San Bernardino, CA 92410

Items listed on the agenda are intended to give notice to members of the public of a general description of matters to be discussed or acted upon. The posting of the recommended actions does not indicate what action will be taken. The Board may take any action that it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

To obtain additional information on any items, please contact the staff person listed under each item. You are encouraged to obtain any clarifying information prior to the meeting to allow the Board to move expeditiously in its deliberations. Additional ***"Meeting Procedures"*** and agenda explanations are attached to the end of this agenda.

CALL TO ORDER

(Meeting Chaired by Rick Denison)

i. Pledge of Allegiance

ii. Attendance

iii. Announcements

iv. Agenda Notices/Modifications-Sandra Castro

<u>Public Comment</u>

Brief Comments from the General Public

Note: Public Comment on items listed on this agenda will be allowed only during this committee meeting. No public comment will be allowed on committee items placed on the Consent Agenda at the Board of Directors meeting. If an item has substantially changed after consideration during the committee meeting, the item will be placed on Discussion for Board and public comment will be allowed.

Possible Conflict of Interest Issues

Pg.11

Note agenda item contractors, subcontractors and agents which may require member abstentions due to conflict of interest and financial interests. Board Member abstentions shall be stated under this item for recordation on the appropriate item.

1. Information Relative to Possible Conflict of Interest

Note agenda items and contractors/subcontractors, which may require member abstentions due to possible conflicts of interest.

This item is prepared monthly for review by Board of Directors and Committee members.

INFORMATIONAL ITEMS

Items listed are receive and file items and are expected to be routine and non-controversial. Unlike the Consent Calendar, items listed as Informational Items do not require a vote.

2. Transit and Rail Programs Contract Change Orders to On-Going Contracts **Pg. 13**

Receive and file Change Order Report.
Presenter: Victor Lopez

This item is not scheduled for review by any other policy committee or technical advisory committee.

DISCUSSION ITEMS

Discussion - Administrative Matters

3. San Bernardino County Transportation Authority Fiscal Year 2024/2025 Budget - Transit Committee Task Review **Pg. 15**

Review the proposed task and budgetary information to be included in the Fiscal Year 2024/2025 Budget, and provide direction as appropriate.
Presenter: Hilda Flores

This item is not scheduled for review by any other policy committee or technical advisory committee.

4. Transit Operators and Transportation Development Act Audits for Fiscal Year 2022/2023 **Pg. 51**

Review and receive the Transit Operators and Transportation Development Act Audit Reports for Fiscal Year 2022/2023.
Presenter: Lisa Lazzar

This item is not scheduled for review by any other policy committee or technical advisory committee.

Discussion - Transit

5. Memorandum of Understanding with the Southern California Regional Rail Authority to Memorialize Annual Funding Allocations **Pg.693**

That the Transit Committee recommend the Board, acting as the San Bernardino County Transportation Authority:

Approve Memorandum of Understanding No. 24-1003060 with the Southern California Regional Rail Authority to memorialize the annual funding allocation process for new capital, state of good repair and operations of Metrolink service, to which each year's funding allocations will be attached as an exhibit.
Presenter: Victor Lopez

This item is not scheduled for review by any other policy committee or technical advisory committee. SBCTA General Counsel and Risk Manager have reviewed this item and the draft Memorandum of Understanding.

6. Fiscal Year 2023/2024 Low Carbon Transit Operations Program - Population Share **Pg. 746**

That the Transit Committee recommend the Board, acting as the San Bernardino County Transportation Authority (SBCTA):

A. Approve a swap of $12,598 of Valley State Transit Assistance-Population Share funds for $12,598 of Low Carbon Transit Operations Program (LCTOP) - Population Share funds for the City of Needles.

B. Approve a swap of $1,054 of Valley State Transit Assistance-Population Share funds for $1,054 LCTOP - Operator Share funds for the City of Needles.

C. Allocate $5,779,784 of LCTOP - Population Share funding to the following projects:

i. Basin Transit: Free Fare Subsidy – $45,000; Bus Stop Improvements - $146,152

ii. Mountain Transit: Bus Stop Revitalization - $132,140

iii. Victor Valley Transit Authority: Fuel Cell Electric Vehicles - $1,069,991; Fare Media Subsidy - $40,000; Free Fares K-12 - $120,000; Free Fares on Special Days - $40,000

iv. Omnitrans: First/Last Mile Shuttle Services – $1,119,590; Student Fare Subsidy Program – $203,167; West Valley Connector Free Fares - $315,000; West Valley Connector Weekend Service $1,482,000

v. SBCTA: San Bernardino County Rail Ridership Recovery Program - $598,946; Southern California Regional Rail Authority Student Adventure Pass - $467,798

D. Allocate $1,054 of LCTOP - Operator Share funds from the City of Needles to SBCTA for the San Bernardino County Rail Ridership Recovery Program.

E. Approve the reallocation of $1,513,951 of LCTOP - Population Share funds and accrued interest estimated at $15,727.35, currently allocated to the Metrolink Double Track Project, to the Omnitrans Student Fare Subsidy Program, and authorize staff to submit a corrective action plan to update the California Department of Transportation (Caltrans) LCTOP programming amount once the Omnitrans Student Fare Subsidy Program allocation request is approved by Caltrans.

Agenda Item 6 (Continued)

F. Adopt Resolution No. 24-018 authorizing the Executive Director, or his designee, to execute Certifications and Assurances for SBCTA projects for LCTOP and nomination of funding requests for listed transit projects.
Presenter: Nicole Soto

This item is not scheduled for review by any other policy committee or technical advisory committee. SBCTA General Counsel has reviewed this item and draft resolution.

7. Fiscal Year 2023/2024 Senate Bill 125 Allocations **Pg. 760**

That the Transit Committee recommend the Board, acting as the San Bernardino County Transportation Authority (SBCTA):

A. Approve the funding allocations in Table 2 for the Senate Bill 125 Formula-Based Funding for Transit and Intercity Rail Capital Program and Zero-Emission Transit Capital Program for Fiscal Year 2023/2024.

B. Direct staff to prepare funding agreements with the transit operators to outline the project schedule and local funding commitments after allocations have been approved by the California State Transportation Agency.

C. Authorize the Executive Director, or his designee, to execute the funding agreements with the transit operators upon approval as to form by SBCTA General Counsel.
Presenter: Nancy Strickert

This item is not scheduled for review by any other policy committee or technical advisory committee.

Discussion - Transportation Programming and Fund Administration

8. California Department of Transportation Master Agreement - Greenhouse Gas Reduction Funds **Pg. 765**

That the Transit Committee recommend the Board, acting as the San Bernardino County Transportation Authority:

A. Authorize the Executive Director, or his designee, to execute Agreement No. 24-1003137 between the California Department of Transportation and the San Bernardino County Transportation Authority (SBCTA), which establishes standards for implementation of projects when SBCTA acts as an administering agency for transit projects funded by the Greenhouse Gas Reduction Fund, in substantially the form shown attached to this item, subject to approval as to form by SBCTA General Counsel.

B. Adopt Resolution No. 24-017 authorizing the Executive Director, or his designee, to execute Program Supplements for specific projects under Agreement No. 24-1003137 based upon SBCTA Board of Directors' prior approval of the specific project and project costs.
Presenter: James Mejia

This item is not scheduled for review by any other policy committee or technical advisory committee. SBCTA General Counsel and Risk Manager have reviewed this item and the draft agreement.

Comments from Board Members

Brief Comments from Board Members

ADJOURNMENT

Additional Information

The next Transit Committee meeting is scheduled for April 11, 2024.

Meeting Procedures and Rules of Conduct

Meeting Procedures - The Ralph M. Brown Act is the state law which guarantees the public's right to attend and participate in meetings of local legislative bodies. These rules have been adopted by the Board of Directors in accordance with the Brown Act, Government Code 54950 et seq., and shall apply at all meetings of the Board of Directors and Policy Committees.

Accessibility & Language Assistance - The meeting facility is accessible to persons with disabilities. If assistive listening devices, other auxiliary aids or language assistance services are needed in order to participate in the public meeting, requests should be made through the Clerk of the Board at least three (3) business days prior to the Board meeting. The Clerk can be reached by phone at (909) 884-8276 or via email at clerkoftheboard@gosbcta.com and office is located at 1170 W. 3rd Street, 2nd Floor, San Bernardino, CA.

Accesibilidad y asistencia en otros idiomas - Las instalaciones para las reuniones son accesibles para las personas con discapacidades. Si se necesitan dispositivos de escucha asistida, otras ayudas auxiliares o servicios de asistencia en otros idiomas para participar en la reunión pública, las solicitudes deben ser presentados a la Secretaria de la Junta al no menos de tres (3) días de apertura antes de la reunión de la Junta. La Secretaria esta disponible por teléfono al (909) 884-8276 o por correo electrónico a clerkoftheboard@gosbcta.com y la oficina se encuentra en 1170 W. 3rd Street, 2nd Floor, San Bernardino, CA.

Agendas – All agendas are posted at www.gosbcta.com/board/meetings-agendas/ at least 72 hours in advance of the meeting. Staff reports related to agenda items may be reviewed online at that web address. Agendas are also posted at 1170 W. 3rd Street, 1st Floor, San Bernardino at least 72 hours in advance of the meeting.

Agenda Actions – Items listed on both the "Consent Calendar" and "Discussion" contain recommended actions. The Board of Directors will generally consider items in the order listed on the agenda. However, items may be considered in any order. New agenda items can be added and action taken as provided in the Ralph M. Brown Act Government Code Sec. 54954.2(b).

Closed Session Agenda Items – Consideration of closed session items excludes members of the public. These items include issues related to personnel, pending litigation, labor negotiations and real estate negotiations. Prior to each closed session, the President of the Board or Committee Chair ("President") will announce the subject matter of the closed session. If reportable action is taken in closed session, the President shall report the action to the public at the conclusion of the closed session.

Public Testimony on an Item – Members of the public are afforded an opportunity to speak on any listed item, except Board agenda items that were previously considered at a Policy Committee meeting where there was an opportunity for public comment. Individuals in attendance at SBCTA who desire to speak on an item may complete and turn in a "Request to Speak" form, specifying each item an individual wishes to speak on. Individuals may also indicate their desire to speak on an agenda item when the President asks for public comment. When recognized by the President, speakers should be prepared to step forward and announce their name for the record. In the interest of facilitating the business of the Board, speakers are limited to three (3) minutes on each item. Additionally, a twelve (12) minute limitation is established for the total amount of time any one individual may address the Board at any one meeting. The President or a majority of the Board may establish a different time limit as appropriate, and parties to agenda items shall not be subject to the time limitations. Any individual who wishes to share written information with the Board may provide copies to the Clerk of the Board for distribution. Information provided as public testimony is not read into the record by the Clerk. Consent Calendar items can be pulled at Board member request and will be brought up individually at the specified time in the agenda. Any consent item that is pulled for discussion shall be treated as a discussion item, allowing further public comment on those items.

Public Comment –An opportunity is also provided for members of the public to speak on any subject within the Board's jurisdiction. Matters raised under "Public Comment" will not be acted upon at that meeting. See, "Public Testimony on an Item," above.

Disruptive or Prohibited Conduct – If any meeting of the Board is willfully disrupted by a person or by a group of persons so as to render the orderly conduct of the meeting impossible, the President may recess the meeting or order the person, group or groups of person willfully disrupting the meeting to leave the meeting or to be removed from the meeting. Disruptive or prohibited conduct includes without limitation addressing the Board without first being recognized, not addressing the subject before the Board, repetitiously addressing the same subject, failing to relinquish the podium when requested to do so, bringing into the meeting any type of object that could be used as a weapon, including without limitation sticks affixed to signs, or otherwise preventing the Board from conducting its meeting in an orderly manner.

Your cooperation is appreciated!

General Practices for Conducting Meetings

of

Board of Directors and Policy Committees

Attendance.

- The President of the Board or Chair of a Policy Committee (Chair) has the option of taking attendance by Roll Call. If attendance is taken by Roll Call, the Clerk of the Board will call out by jurisdiction or supervisorial district. The Member or Alternate will respond by stating his/her name.
- A Member/Alternate who arrives after attendance is taken shall announce his/her name prior to voting on any item.
- A Member/Alternate who wishes to leave the meeting after attendance is taken but before remaining items are voted on shall announce his/her name and that he/she is leaving the meeting.

Basic Agenda Item Discussion.

- The Chair announces the agenda item number and states the subject.
- The Chair calls upon the appropriate staff member or Board Member to report on the item.
- The Chair asks members of the Board/Committee if they have any questions or comments on the item. General discussion ensues.
- The Chair calls for public comment based on "Request to Speak" forms which may be submitted.
- Following public comment, the Chair announces that public comment is closed and asks if there is any further discussion by members of the Board/Committee.
- The Chair calls for a motion from members of the Board/Committee. Upon a motion, the Chair announces the name of the member who makes the motion. Motions require a second by a member of the Board/Committee. Upon a second, the Chair announces the name of the Member who made the second, and the vote is taken.
- The "aye" votes in favor of the motion shall be made collectively. Any Member who wishes to oppose or abstain from voting on the motion shall individually and orally state the Member's "nay" vote or abstention. Members present who do not individually and orally state their "nay" vote or abstention shall be deemed, and reported to the public, to have voted "aye" on the motion.
- Votes at teleconferenced meetings shall be by roll call, pursuant to the Brown Act, or, at any meeting, upon the demand of five official representatives present or at the discretion of the presiding officer.

The Vote as specified in the SBCTA Administrative Code and SANBAG Bylaws.

- Each Member of the Board of Directors shall have one vote. In the absence of the official representative, the Alternate shall be entitled to vote. (Note that Alternates may vote only at meetings of the Board of Directors, Metro Valley Study Session and Mountain/Desert Policy Committee.)

Amendment or Substitute Motion.

- Occasionally a Board Member offers a substitute motion before the vote on a previous motion. In instances where there is a motion and a second, the Chair shall ask the maker of the original motion if he or she would like to amend the motion to include the substitution or withdraw the motion on the floor. If the maker of the original motion does not want to amend or withdraw, the substitute motion is voted upon first, and if it fails, then the original motion is considered.
- Occasionally, a motion dies for lack of a second.

Call for the Question.

- At times, a Member of the Board/Committee may "Call for the Question."
- Upon a "Call for the Question," the Chair may order that the debate stop or may allow for limited further comment to provide clarity on the proceedings.
- Alternatively, and at the Chair's discretion, the Chair may call for a vote of the Board/Committee to determine whether or not debate is stopped.
- The Chair re-states the motion before the Board/Committee and calls for the vote on the item.

The Chair.

- At all times, meetings are conducted in accordance with the Chair's direction.
- These general practices provide guidelines for orderly conduct.
- From time to time, circumstances may require deviation from general practice (but not from the Brown Act or agency policy).
- Deviation from general practice is at the discretion of the Chair.

Courtesy and Decorum.

- These general practices provide for business of the Board/Committee to be conducted efficiently, fairly and with full participation.
- It is the responsibility of the Chair and Members to maintain common courtesy and decorum.

Adopted By SANBAG Board of Directors January 2008
Revised March 2014
Revised May 4, 2016
Revised June 7, 2023

Minute Action

AGENDA ITEM: 1

Date: March 14, 2024

Subject:
Information Relative to Possible Conflict of Interest

Recommendation:
Note agenda items and contractors/subcontractors, which may require member abstentions due to possible conflicts of interest.

Background:
In accordance with California Government Code 84308, members of the Board may not participate in any action concerning a contract where they have received a campaign contribution of more than $250 in the prior twelve months from an entity or individual, except for the initial award of a competitively bid public works contract. This agenda contains recommendations for action relative to the following contractors:

Item No.	Contract No.	Principals & Agents	Subcontractors
5	24-1003060	Southern California Regional Rail Authority	None
6	Allocation	City of Needles	None
		Basin Transit	None
		Mountain Transit	None
		Victor Valley Transit Authority	None
		Omnitrans	None
		Southern California Regional Rail Authority	None
		City of Needles	None
		Department of Transportation	None
7	Allocation	Victor Valley Transit Authority	None
		City of Needles	None
		Omnitrans	None
		Metrolink	None
		Basin Transit	None
		Mountain Transit	None
8	24-1003137	California Department of Transportation	None

Entity: San Bernardino County Transportation Authority

Financial Impact:
This item has no financial impact on the adopted Budget for Fiscal Year 2023/2024.

Reviewed By:
This item is prepared monthly for review by Board of Directors and Committee members.

Responsible Staff:
Victor Lopez, Director of Transit & Rail Programs

Approved
Transit Committee
Date: March 14, 2024

Witnessed By:

Minute Action

AGENDA ITEM: 2

Date: March 14, 2024

Subject:
Transit and Rail Programs Contract Change Orders to On-Going Contracts

Recommendation:
Receive and file Change Order Report.

Background:
The San Bernardino County Transportation Authority has three ongoing construction contracts and one vehicle procurement contract related to Transit and Rail Programs.

A. Contract No. 23-1002891 with Griffith Company for the West Valley Connector Project Mainline Construction has had no CCOs executed since the last report.

B. Contract No. 23-1002961 with Proterra Builders, Inc. for the Arrow Maintenance Facility (AMF) Hydrogen Fuel Upgrade: Equipment Procurement has had no CCOs executed since the last report.

C. Contract No. 23-1002922 with Metro Builders & Engineers Group, Ltd. for the AMF Hydrogen Fuel Upgrade: AMF Retrofit has had no CCOs executed since the last report.

D. Contract No. 20-1002310 with Stadler US for Zero Emission Multiple Unit (ZEMU) Rail Vehicle Procurement has had no CCOs executed since the last report.

Financial Impact:
This item has no financial impact on the adopted Budget for Fiscal Year 2023/2024.

Reviewed By:
This item is not scheduled for review by any other policy committee or technical advisory committee.

Responsible Staff:
Victor Lopez, Director of Transit & Rail Programs

Approved
Transit Committee
Date: March 14, 2024

Witnessed By:

Entity: San Bernardino County Transportation Authority

Transit and Rail Programs Contracts Executed Change Orders		
Number	**Description**	**Amount**
West Valley Connector Mainline Construction Griffith Company (23-1002891)		
	CCO Total	$0.00
	Approved Contingency	$11,995,991.00
	Remaining Contingency	$11,995,991.00
ZEMU - Arrow Maintenance Facility (AMF) Proterra Builders, Inc. (23-1002961)		
Number	Description	Amount
	CCO Total	$0.00
	Approved Contingency	$56,280.21
	Remaining Contingency	$56,280.21
ZEMU - Arrow Maintenance Facility (AMF) Metro Builders & Engineers Group, Ltd. (23-1002922)		
	Description	Amount
	CCO Total	$0.00
	Approved Contingency	$962,657.10
	Remaining Contingency	$962,657.10
ZEMU- Vehicle Procurement Stadler (20-1002310)		
Number	Description	Amount
	CCO Total	$48,942.00
	Approved Contingency	$500,000.00
	Remaining Contingency	$451,058.00

Minute Action

AGENDA ITEM: 3

Date: ***March 14, 2024***

Subject:
San Bernardino County Transportation Authority Fiscal Year 2024/2025 Budget - Transit Committee Task Review

Recommendation:
Review the proposed task and budgetary information to be included in the Fiscal Year 2024/2025 Budget, and provide direction as appropriate.

Background:
The purpose of reviewing tasks is to gain input on the appropriateness of the type and scope of the work effort. Narrative descriptions and detailed budget information are provided. Budget amounts, fund types and narratives are preliminary, pending agency-wide revenue and expenditure compilation and review by the San Bernardino County Transportation Authority (SBCTA) policy committees.

Explanations for major variances from prior year's budget are included in the Work Elements section for each task and include the following:

- The Transit Operator Support Task varies minimally between Fiscal Year 2023/2024 and Fiscal Year 2024/2025 due to calculated cost estimates for ongoing transit operator support.
- The Transit Allocations/Pass-throughs Task budgetary changes are primarily due to a projected decrease in Measure I 2010-2040 and Transit Development Act (TDA) revenue that decreases projected disbursements.
- The General Transit Task budget increased due to budgeting an optimal amount to accommodate SBCTA staff time and consultant staff augmentation, including sufficient budget for studies, and accommodating task orders for the needs of the department.
- The Transit Right of Way Management Task budgetary change is due to the onboarding of the Electric Vehicle (EV) Infrastructure Planning into the Transit Department and the continuation of services to support the maintenance of way, labor compliance, litigation services, and plan reviews.
- The Transit Operations Task budgetary changes are due to increases in SBCTA's annual operation subsidy for the San Bernardino Line, and for the Arrow Service to incorporate the Zero-Emission Multiple Unit (ZEMU) into revenue service, carryover for anticipated expenditures associated with funding the first two years of security for Arrow stations, and the continuing efforts to support ongoing transit ridership programs.
- The Transit Capital Task budgetary changes are due to the completion of the Redlands Passenger Rail Project, ongoing construction and right of way acquisitions for the West Valley Connector Project, the construction of the Hydrogen Fueling Infrastructure and Retrofit of Arrow Maintenance Facility for the ZEMU Project, environmental clearance activities for the Tunnel to Ontario International Airport (ONT) Project, the facilitation of grant funding for the Brightline West – High Desert Stations Project, and the initiation of the Lilac to Sycamore Double Track Project.

Entity: San Bernardino County Transportation Authority

The following tasks are presented for Committee review:

Task	Transit Program	Manager	Proposed Budget
0309	Transit Operator Support	Lopez	$ 572,434
0310	Transit Allocations/Pass-throughs	Zureick	$ 173,495,973
0312	General Transit	Lopez	$ 1,975,541
0313	Transit Right of Way Management	Lopez	$ 2,238,172
0314	Transit Operations	Lopez	$ 56,416,785
0315	Transit Capital	Lopez	$ 191,341,213
0383	Vanpool Program	Lopez	$ 1,377,709

The following list of sub-tasks provides proposed budget by project:

Transit Sub-Tasks		Proposed Budget
0315	**Transit Capital:**	
0326	Gold Line Extension to Montclair	$ 103,000
0328	Control Point Lilac to Control Point Rancho Station Double Track	$ 8,800,000
0334	West Valley Connector Phase I	$ 129,716,625
0336	Diesel Multiple Unit to Zero Emission Multiple Unit Vehicle Conversion	$ 20,282,943
0337	Tunnel to ONT Project	$ 15,750,000
0338	SCORE Rancho Cucamonga Siding Project	$ 50,000
0339	Brightline-High Desert Stations Project	$ 5,804,750

This agenda item provides for task level review. In May 2024, in conjunction with the Budget Workshop, staff will present anticipated levels of revenue from all sources, staffing and program level budgets.

Financial Impact:
This item has no financial impact on the adopted Budget for Fiscal Year 2023/2024. The tasks under the purview of the Transit Committee will be part of the overall budget adoption which establishes the financial and policy direction for the next fiscal year.

Reviewed By:
This item is not scheduled for review by any other policy committee or technical advisory committee.

Responsible Staff:
Hilda Flores, Chief Financial Officer

Approved
Transit Committee
Date: March 14, 2024

Witnessed By:

Transit Program Budget

Description

The Transit Program represents the continuing responsibilities of SBCTA to implement and plan for future transit capital projects, support rail service through the Southern California Regional Rail Authority (SCRRA) for the operation of Metrolink and Arrow service; provide technical assistance to local jurisdictions implementing transit oriented development; coordinate and assist local bus operators; oversee rideshare, vanpool, and multimodal activities; and manage 60 miles of agency owned railroad right of way. The program is funded by an array of funding sources, including Measure I, Transportation Development Act, Federal, State, and local funds. Many of SBCTA's Transit and Rail Program responsibilities are based on Federal and State regulations, requiring coordination with the Federal Railroad Administration (FRA), Federal Transit Administration (FTA), California State Transportation Agency (CalSTA), and the California Public Utilities Commission (CPUC).

Goals and Objectives

The Transit team continues delivering, managing, and constructing major capital projects. In doing so, the staff assists in meeting SBCTA's commitment to deliver the projects as described in the Measure I Transportation Transactions and Use Tax approved in 1989 and renewed in 2004 by the San Bernardino County voters and other efforts prioritized by the SBCTA Board. The Transit Program includes the goal of reducing roadway congestion and improving air quality by providing high-quality Metrolink and Arrow rail services to the citizens of San Bernardino County, expanding bus rapid transit service with the West Valley Connector Bus Rapid Transit (BRT) Project, development of the first zero emission passenger rail vehicle in North America, continuing project development for the Tunnel to Ontario International Airport (ONT), and continued coordination with Brightline West for the introduction of privately funded high speed rail service between Las Vegas and Rancho Cucamonga. The Transit team also supports these goals by providing funding, planning support, and capital delivery support to the local transit operators in the county. Further, the Transit Department's responsibilities include the management of vanpool and rideshare activities with a focus on multimodal programs and the customer-based experience.

The Transit Program for this fiscal year includes the following:

1. Complete testing of Zero Emission Multi-Unit (ZEMU) in San Bernardino, and start operations.
2. Complete construction of ZEMU related infrastructure, which includes the maintenance facility retrofit and hydrogen fueling station improvements.
3. Continue the construction of West Valley Connector (WVC) Phase I – Mainline, and begin construction of bus facility upgrade to accommodate battery charging.
4. Continue to support SCRRA as needed with the right of way acquisition for the Rancho Cucamonga Siding Southern California Optimized Rail Expansion (SCORE) Project.
5. Complete the environmental clearance for the Tunnel to ONT, and release the Request for Proposals to the shortlisted Design Build entities.
6. Complete Coop Agreement with SCRRA to initiate the final design for the Metrolink Double Track Project (CP Lilac to Sycamore Ave).
7. Seek funding to close the shortfall to construct Gold Line Phase 2B to Montclair in San Bernardino County if the Los Angeles County Metropolitan Transportation Authority (LACMTA) commits to building to the county line.
8. Continue close coordination with Brightline West, including grant fund administration oversight of the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) 2023 Program Year award for the high desert stations.
9. Manage SBCTA railroad right of way in an efficient and comprehensive fashion.
10. Support the transit operators with the implementation of zero emission buses, and work with Fund Administration and Planning to identify funding and seek grants for the effort.
11. Provide technical assistance to the transit operators and their Consolidated Transportation Service Agencies within San Bernardino County.
12. Provide technical assistance to non-profits in San Bernardino County who received Federal and Measure I Funding.

Transit Program Budget

13. Continue managing the Inland Empire (IE) Commuter rideshare program and implementation of commuter assistance programs, including but not limited to Park & Ride lot leases, commuter incentives, a Rail Ridership Recovery Program, and a Telework Assistance Program. Conduct an in-depth post-pandemic review of the IE Commuter rideshare program for future year adjustments and planning.
14. Work with regional rideshare agencies to maintain and enhance a regional rideshare and vanpool software and database.
15. Manage and implement adjustments to the SB Loop Vanpool Subsidy Program as needed as it relates to managing occupancy requirements and other operating guidelines. Continue National Transit Database (NTD) reporting and monitoring cost versus FTA 5307 revenue generation.
16. Work with county transit operators through the Multimodal Interconnectivity Working Group to implement countywide multimodal efforts, including free fare days to rebuild ridership and promote various specialized services.
17. In coordination with SCRRA, complete the Implementation Study to integrate the use of Multiple Units (MUs) on the San Bernardino Line from San Bernardino to Los Angeles.
18. Conduct a hydrology study along the SBCTA railroad right of way to identify locations that may pose a risk for potential flooding, which may consequently affect rail service and neighboring communities.

Performance/Workload Indicators

	2021/2022 Actual	2022/2023 Actual	2023/2024 Revised Budget	2024/2025 Budget
Redlands Passenger Rail Project	Construction/ Pre-revenue Testing	Start of Revenue Service/Close out	Closeout/Final Delivery Reports	N/A
Development of Zero Emission Multiple Unit	Vehicle Design/ Assembly	Vehicle Assembly & Testing/AMF Upgrades Design	Vehicle Testing/AMF Upgrade Construction	Fueling Infrastructure & AMF Upgrade Construction
West Valley Connector	ROW Acquisition/ Final Design	ROW Acquisition/ Final Design	ROW Acquisition/ Construction	Construction
Gold Line Extension	On-hold/ Seek Funding	On-hold/ Seek Funding	On-hold/ Seek Funding	On-hold/ Seek Funding
Tunnel to ONT	Procurement/ Environmental	Procurement/ Environmental	Procurement/ Environmental	Procurement/ Environmental /Final Design
Metrolink Double Track – Control Point (CP) Lilac to Sycamore Ave	On-hold/ Seek Funding (SBCTA/ SCRRA)	On-hold/ Seek Funding (S SBCTA/ SCRRA)	On-hold/ Seek Funding (SBCTA/ SCRRA)	ROW Acquisition/ Final Design (SCRRA)

Transit

Task 0309 Transit Operator Support

Purpose

Facilitate and oversee the administration and programming of transit projects through funding provided by a variety of Federal and State revenue sources and Measure I to allow delivery of transit projects on schedule and to demonstrate compliance with applicable Federal, State, and local guidelines; fiscal constraint; and air quality conformity requirements. Federal and State revenue sources include Fixing America's Surface Transportation (FAST) Act and the Infrastructure Investment and Jobs Act (IIJA) programs administered by the Federal Transit Administration (FTA); State Proposition 1B Bond, Senate Bill 1 (SB1) programs, and Senate Bill 125 (SB125); Local Transportation Funds (LTF) and State Transit Assistance (STA) funds made available from State Transportation Development Act (TDA); and the Low Carbon Transit Operations Program (LCTOP). This provides for assistance and oversight of San Bernardino County transit operators, including review of their cost effectiveness and efficiency, Federal and State funding compliance, funding allocations, service modifications, and capital improvements. These operators include Omnitrans, Victor Valley Transit Authority (VVTA), Basin Transit, Mountain Transit, and City of Needles Transit Fund, as well as Omnitrans in its role as the Consolidated Transportation Services Agency (CTSA) for the San Bernardino Valley and VVTA for their role as CTSA for the High Desert.

Accomplishments

SBCTA staff has administered and programmed the funding available for transit projects based on the Board approved priorities and strategies as communicated through the 10-Year Delivery Plan and the various Short Range Transit Plans (SRTPs), program apportionments, and project-specific allocations. Through strategic fund management and timely delivery of existing committed funds, SBCTA has maximized and protected Federal and State funding revenues. In addition, SBCTA has supported transit operators with information on funding opportunities and transportation program guidelines, requirements, policies, and schedules. SBCTA serves as a liaison between transit operators and the California Department of Transportation (Caltrans), the California Transportation Commission (CTC), the California State Transportation Agency (CalSTA), and various other Federal and State agencies to assist local implementation of projects funded by Federal and State sources.

Work Elements

This is an ongoing project that includes professional development through participation in State, regional and national transit association conferences. Participation provides for the exchange of information and policy development ideas relating to transit operations and funding.

This task also includes continued staff and consultant efforts required to maintain compliance with Federal and State funding requirements, such as reviewing procedures related to Title VI of the Civil Rights Act of 1964 (for SBCTA and transit operators) and the Americans with Disabilities Act (ADA) and conducting the annual unmet transit needs public hearings. Additionally, SBCTA staff provides technical assistance to the transit operators for their SRTPs, grant applications review and submittal, and programming of projects in the Federal Transportation Improvement Program (FTIP) and Regional Transportation Plan (RTP).

The task also includes professional services to support the continued development, evaluation, and implementation of the transit operator reporting system. Specific items of the task include:

1. Continue work on implementing and maintaining the transit operator performance system.
2. Share new industry and regulatory information with operators.
3. Review and implement SBCTA procedures, and provide technical assistance to transit operators and non-profits to ensure compliance with FTA and other local/State requirements.

Transit

Task 0309 Transit Operator Support

4. Schedule annual Public Hearing as required by the TDA. This hearing will be conducted through the Public and Specialized Transportation Advisory and Coordination Council (PASTACC) and will gather public comment for all San Bernardino County operators.
5. Provide grant services for various competitive grant programs, and provide support to transit operators to submit applications and implement projects, if selected.
6. Determine the distribution of FTA formula and Federal Highway Administration (FHWA) Congestion Mitigation and Air Quality (CMAQ) funds committed to transit projects. Provide assistance to operators in the preparation of annual Section 5311 and Section 5307 Programs of Projects and grant applications, provide concurrence with the use of FTA formula funds, and review and prioritize Section 5310 grant applications.
7. Coordinate activities and provide assistance in responding to inquiries from Board members, member agencies, and transit operators through the PASTACC, and other interagency forums.

Budgeted values vary minimally between Fiscal Year 2023/2024 and Fiscal Year 2024/2025 due to calculated cost estimates for ongoing transit operator support.

Product

Dissemination of information and technical assistance to operators. The evaluation, further development, implementation, and maintenance of the transit operator performance reporting system will be beneficial to the operators and SBCTA. Additionally, an objective, efficient, and timely process to program and allocate Federal, State, and local funds in cooperation with the transit operators to maximize the use of revenue sources that support the delivery of transit projects that provide the greatest transportation benefit relative to their cost, and to ensure that all transit funds allocated to projects within San Bernardino County are used in a timely manner without risk of loss.

Contract Information

a. New Contracts
   i. RFP, Transit and Specialized Transportation Planning Services, Amount Budgeted $275,000, Total Estimated Contract Amount $1,000,000.
   ii. MOU, Riverside County Transportation Commission System Implementation, Amount Budgeted $15,000, Total Estimated Contract Amount $2,147,500.

Manager

Victor Lopez, Director of Transit and Rail Projects

Transit

Task 0309 Transit Operator Support

Expenditures	**2021/2022 Actual**	**2022/2023 Actual**	**2023/2024 Revised Budget**	**2024/2025 Budget**
Regular Full-Time Employees	151,071	132,940	144,485	142,860
Fringe Allocation-General	149,278	130,111	113,420	105,574
Professional Services	143,615	142,982	210,000	290,000
Dues/Memberships	16,248	15,952	23,100	23,500
Postage	-	-	100	100
Travel Expense - Employee	-	-	4,000	4,000
Travel Expense-Mileage-Employee	35	-	1,000	1,000
Travel Expense-Other-Metrolink Tickets	-	-	250	300
Advertising	1,629	1,863	500	600
Printing - External	4,049	14	6,000	4,000
Contributions/Subsidies	33,221	4,395	-	-
Meeting Expense	-	-	500	500
Total Expenditures	499,146	428,257	503,355	572,434

Funding Sources	
Local Transportation Fund - Admin	155,523
Local Transportation Fund - Planning	416,911
Total Funding Sources	572,434

Transit

Task 0310 Transit Allocations/Pass-throughs

Purpose

To serve as a depository for State Transportation Development Act (TDA) funds, Measure I 2010-2040 Senior and Disabled Program Funds, Senate Bill 1 (SB1) State of Good Repair (SGR) Funds, Senate Bill 125 (SB125) Transit and Intercity Rail Capital Program (TIRCP) and Zero-Emission Transit Capital Program (ZETCP) Formula Funds, and other grant funds that are required to pass through SBCTA prior to disbursement to transit operators and other local agencies implementing transit-related or TDA pedestrian and bicycle projects within their jurisdiction.

Accomplishments

SBCTA is responsible for the disbursement of funding from the TDA, the Measure I 2010-2040 Senior and Disabled Program, SGR Funds, SB125 Funds, and other State transit grant programs. SBCTA staff disburses these funds based on the program apportionments and project-specific allocations. The Measure I Senior and Disabled Program Funds provided to the transit operators offer financial support to offset costs associated with paratransit service made available to those that meet the qualifications under the Americans with Disabilities Act (ADA). These funds are also used to provide subsidized fares to seniors. Additionally, other fund sources, such as SGR and SB125 Funds, are included in this task when State processes require those funds to flow through SBCTA to the implementing agency or when SBCTA provides additional contributions to locally-implemented transit projects.

Assembly Bill 102 and SB125 amended the State Budget Act of 2023 to appropriate funds from the General Fund to the TIRCP over the next two fiscal years, as well as the Greenhouse Gas Reduction Fund and Public Transportation Account over the next four fiscal years to establish the ZETCP. Funds from these two formula programs will be disbursed to the transit operators through Task 0310 as appropriate.

Work Elements

1. Disburse Local Transportation Funds (LTF) to transit operators and local agencies for public transportation and projects that are provided for use by pedestrians and bicycles in accordance with the TDA Statutes and the California Code of Regulations (CCR).
2. Disburse State Transit Assistance (STA) Funds to transit operators for capital projects and eligible operating costs in accordance with the TDA Statutes and the CCR.
3. Disburse Measure I Senior and Disabled Program Funds based on annual allocations approved by the Board. Allocation of Senior and Disabled Transit Funds occurs monthly as a direct pass-through to transit operators.
4. Disburse SGR Funds as they are received from the State to transit operators based on allocations approved by the Board.
5. Disburse SB125 Funds as they are received from the State, or in accordance with funding agreements, to transit operators based on allocations approved by the Board.
6. Disburse other program funds that must pass through the SBCTA budget for disbursement to the transit operators and local agencies implementing transit-related projects within their jurisdiction.

Budgetary changes are primarily due to a projected decrease in Measure I 2010-2040 and TDA revenue that decreases projected disbursements.

Product

Funds for transit operators and other local agencies implementing transit-related or TDA-funded projects within their jurisdiction.

Transit

Task 0310 Transit Allocations/Pass-throughs

Contract Information

a. Existing Contracts
   i. 16-1001458, Funding Operation of a Consolidated Transportation Services Agency (CTSA) to Provide for the Coordination of Transit Services for Seniors and Persons with Disabilities, Amount Budgeted $4,116,600.
   ii. SB1 SGR Pass-through Agreements with Transit Operators, Amount Budgeted $4,445,213.

Manager

Andrea Zureick, Director of Fund Administration

Transit

Task 0310 Transit Allocations/Pass-throughs

Expenditures	**2021/2022 Actual**	**2022/2023 Actual**	**2023/2024 Revised Budget**	**2024/2025 Budget**
Contributions/Subsidies	22,451,669	21,060,091	31,419,881	32,982,313
Pass-through Payments	40,695,715	115,843,840	161,440,000	140,513,660
Total Expenditures	63,147,383	136,903,931	192,859,881	173,495,973

Funding Sources	
Local Transportation Fund - Pass-through	120,000,000
State Transit Assist Fund - Pass-through	20,513,660
State of Good Repair (SGR)	4,445,213
MSI Valley Fund-Senior and Disabled	26,466,300
MSI Victor Valley Fund-Senior and Disabled	1,500,700
MSI North Desert Fund-Senior and Disabled	259,900
MSI Colorado River Fund-Senior and Disabled	22,700
MSI Morongo Basin Fund-Senior and Disabled	153,100
MSI Mountain Fund-Senior and Disabled	134,400
Total Funding Sources	173,495,973

Transit

Task 0312 General Transit

Purpose

Represent San Bernardino County's transit interests at the State, Regional and National levels, including staff time associated with working with Brightline West and SBCTA's role as a member agency of the Southern California Regional Rail Authority (SCRRA). In addition, facilitate and assist with regional studies and plans associated with transit.

Accomplishments

Since 1992, Metrolink has provided Southern California drivers with a safe, convenient alternative to driving. As drivers choose Metrolink, traffic is relieved and air quality is improved. SCRRA is a joint powers authority made up of an 11 member board representing the transportation commissions of Los Angeles, Orange, Riverside, San Bernardino, and Ventura Counties. Metrolink trains operate on seven routes across a six county 546 route-mile network, which includes a portion of northern San Diego County. SBCTA shares operating and capital expenses with the Los Angeles County Metropolitan Transportation Authority (LACMTA), the Riverside County Transportation Commission (RCTC), and the Orange County Transportation Authority (OCTA) for the three Metrolink routes that serve San Bernardino County. These three lines typically carry up to 44 percent of the total Metrolink passengers. Traditionally, the San Bernardino Line (SBL) alone carries approximately 25 percent of total Metrolink passengers. As a result of the Coronavirus Disease (COVID-19) pandemic, ridership in Fiscal Year 2023/2024 continued to be significantly lower; however, the SBL has shown strong signs of recovery, with the SBL maintaining the highest ridership of all Metrolink lines. Additionally, with equity being an important focal point in communities, SBCTA led an effort to provide free fares beginning in February 4, 2022, in celebration of Transit Equity Day and in recognition of Rosa Parks' birthday. Due to the positive response from the community and increase in ridership, the SBCTA Board approved funding in both February 2023 and 2024 and free fares were again implemented across all bus and rail operators in San Bernardino County. As part of SBCTA's role as an SCRRA member agency, staff remain engaged in the Member Agency Advisory Committee (MAAC). Staff has also continued to work closely with Brightline West to support the development of their privately funded high speed rail connection between Las Vegas and Rancho Cucamonga.

Work Elements

1. Represent the interest of the county on the SCRRA MAAC, advise SBCTA Board representatives sitting on the SCRRA Board of Directors, and attend SCRRA Board and policy committee meetings.
2. Attend the various training and conference events related to the Federal Transit Administration, the Federal Railroad Administration, the American Public Transportation Association, Rail~Volution, the California Transit Association, and other transit related educational opportunities as appropriate.
3. Provide transit related legislative advocacy in Sacramento and Washington, D.C.
4. Provide staff support to the SBCTA Transit Committee.
5. Study innovations that would allow for expanded transit service with lower operations and maintenance costs using existing infrastructure.
6. Continue coordination with Brightline West as they move towards the start of construction.
7. As needed coordination with the California High-Speed Rail Authority Project.
8. Other miscellaneous general transit items including project and program controls.

Budgetary change is due to budgeting an optimal amount to accommodate SBCTA staff time and consultant staff augmentation, including sufficient budget for studies, and accommodating task orders for the needs of the department.

Transit

Task 0312 General Transit

Product

State, Regional and National representation on transit related items, staff time, reports and recommendations in support of San Bernardino County's interest as a member of the SCRRA Board of Directors, representation and participation with respect to Brightline West, miscellaneous studies and analyses pertaining to transit issues of a regional nature, and high level tasks associated with management of the overall program such as project controls.

Contract Information

a. Existing Contracts
   i. 23-1002904, CTO 3, Professional Services for Transit Staff Augmentation, Amount Budgeted $130,000.
   ii. 15-1001125, Work Order No. 12, Multiple Unit Implementation Study, Amount Budgeted $350,000.

b. New Contracts
   i. RFP/CTO, On-Call Transit and Rail Consulting Services, Amount Budgeted $500,000, Total Estimated Contract Amount $500,000.

Manager

Victor Lopez, Director of Transit and Rail Programs

Transit

Task 0312 General Transit

Expenditures	**2021/2022 Actual**	**2022/2023 Actual**	**2023/2024 Revised Budget**	**2024/2025 Budget**
Regular Full-Time Employees	346,021	434,161	479,058	546,256
Fringe Allocation-General	341,915	424,921	376,061	403,684
Professional Services	10,577	-	400,000	350,000
Program Management Fees	287,947	87,918	250,001	630,001
Dues/Memberships	1,730	8,240	7,500	7,500
Training/Registration	7,098	2,890	10,000	12,000
Postage	-	-	500	500
Travel Expense - Employee	9,536	19,207	20,000	20,000
Travel Expense-Mileage-Employee	-	27	2,000	2,000
Travel Expense-Other-Metrolink Tickets	20	145	1,000	1,000
Printing - External	75	-	500	500
Record/Equipment Storage	-	-	1,000	1,000
Office Expense	-	54	100	100
Meeting Expense	2,639	478	1,000	1,000
Total Expenditures	1,007,557	978,041	1,548,720	1,975,541

Funding Sources	
MSI Admin	16,919
Local Transportation Fund - Planning	951,332
Local Transportation Fund - Rail	630,001
State Transit Assistance Fund - Rail	350,000
Zero Emission Transit Capital Program-SB125	18,538
Indirect Cost Fund	8,751
Total Funding Sources	1,975,541

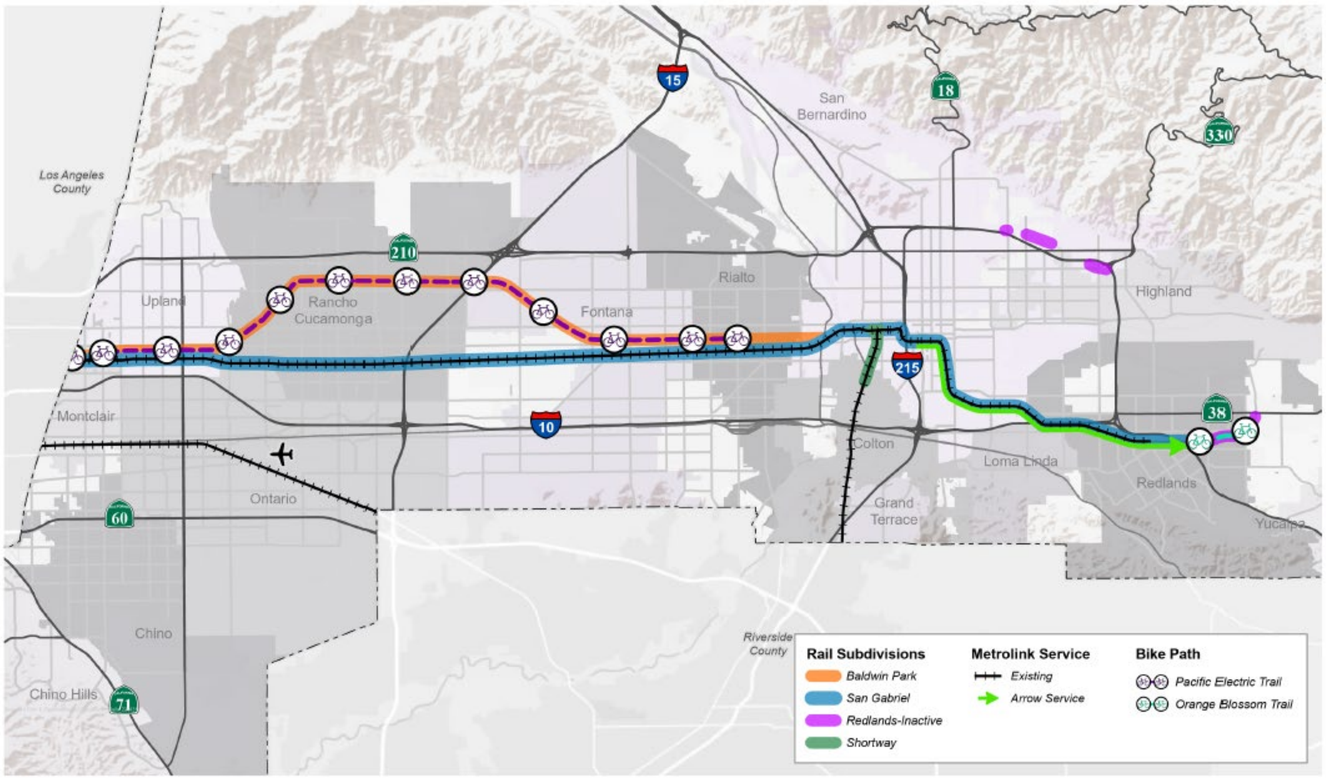
Transit

Task 0313 Transit Right of Way Management

Purpose

Manage and maintain approximately 60 miles of SBCTA owned railroad right of way in a safe, efficient and effective manner.

Transit Program
SBCTA Owned Railroad Right of Way



Accomplishments

SBCTA oversight of the rail right of way has proven to be useful in several key areas. A reduction in notices for weed abatement across several jurisdictions continues, graffiti abatement under a regular maintenance schedule has reduced the number of reported citations, and an ongoing review of existing license agreements has resulted in the termination of agreements for facilities that have been abandoned. Processing of payments for grants of use upon SBCTA property is currently supported by the Right of Way Manager and Right of Way Specialist positions, which has provided a more robust succession planning with respect to the management of SBCTA railroad right of way. A successful negotiation was completed for the Brightline West disposition and development of a portion of the Cucamonga Station.

Work Elements

1. Process new Rights of Use Agreements.
2. Implement an online application tool for new Rights of Use Agreements.
3. Graffiti removal and weed abatement.
4. Records management.
5. Implement Master Agreements with utility agencies where possible.
6. Dispose of surplus property.

Transit

Task 0313 Transit Right of Way Management

Budgetary change is due to the onboarding of the Electric Vehicle (EV) Infrastructure Planning into the Transit Department and the continuation of services to support the maintenance of way, labor compliance, litigation services, and plan reviews.

Product

Proactively manage the railroad right of way by performing maintenance activities, processing new and amended railroad right of way Rights of Use Agreements in a timely fashion, and updating outdated Rights of Use Agreements. Determining the process for SBCTA to deploy an online application and business processes for new and amended grants of use and implementing such processes in partnership with the Finance and Procurement Departments, as well as recommending disposal of surplus property where applicable, and periodic updates to fee schedule based upon price indices or cost analysis studies. Specific railroad right of way maintenance activities include weed abatement, graffiti abatement, trash removal, monitoring and removal of encampments, property sign replacements, and fence repairs. In addition, this task includes legal services for rail right of way related activities, such as title research or utility company actions.

Contract Information

a. Existing Contracts
   i. 21-1002621, Rancho Cucamonga Transaction Legal Services, Amount Budgeted $103,380.
   ii. 22-1002745, Charge Point, Amount Budgeted $1,100.
   iii. 23-1002832, On-call Labor Compliance Support Services, Amount Budgeted $1,500.
   iv. 23-1002894, Disposition and Development – Rancho Cucamonga Station Agreement, Amount Budgeted $50,000.
   v. 23-1002920, Maintenance of Way Support, Amount Budgeted $1,073,000

b. New Contracts
   i. RFP/CTO, Professional Services – Engineering Design for Risks Identified in the San Gabriel Subdivision Hydrologic and Hydraulic Analysis, Amount Budgeted $250,000, Total Estimated Contract Amount $250,000.
   ii. RFP/CTO, Legal Services – Litigation Representation, Amount Budgeted $100,000, Total Estimated Contract Amount $100,000.
   iii. RFP/CTO, General Right of Way Rail Legal Services, Amount Budgeted $100,000, Total Estimated Contract Amount $100,000.
   iv. RFP/CTO, Professional Services – Rail Station Surveys, Amount Budgeted $50,000, Total Estimated Contract Amount $50,000.
   v. RFP/CTO, Professional Services – Appraisals and Title services, Amount Budgeted $20,000, Total Estimated Contract Amount $40,000.
   vi. RFP/CTO, Professional Services – Appraisals, Amount Budgeted $100,000, Total Estimated Contract $100,000.
   vii. RFP/CTO, Environmental Site Assessments, Amount Budgeted $30,000, Total Estimated Contract Amount $40,000.
   viii. RFP/CTO, Professional Services – Plan Reviews, Amount Budgeted $4,000, Total Estimated Contract Amount $15,000.

Manager

Victor Lopez, Director of Transit and Rail Programs

Transit

Task 0313 Transit Right of Way Management

Expenditures	**2021/2022 Actual**	**2022/2023 Actual**	**2023/2024 Revised Budget**	**2024/2025 Budget**
Regular Full-Time Employees	138,753	149,833	176,733	188,610
Fringe Allocation-General	137,107	146,644	138,197	139,382
Professional Services	6,965	7,678	1,380,565	356,300
Consulting Services	-	-	-	300
Legal Fees	73,508	153,370	228,133	403,380
Rail Maintenance of Way	788,285	767,393	-	1,073,000
Right of Way Capital	-	-	-	50,000
Training/Registration	-	4,475	7,500	7,500
Postage	17	15	500	500
Travel Expense - Employee	-	-	1,000	1,000
Travel Expense-Mileage-Employee	-	68	500	500
Advertising	-	160	1,000	1,000
Meeting Expense	-	-	500	500
Office Equip/Software-Inventorial	-	-	-	16,200
Total Expenditures	1,144,635	1,229,635	1,934,628	2,238,172

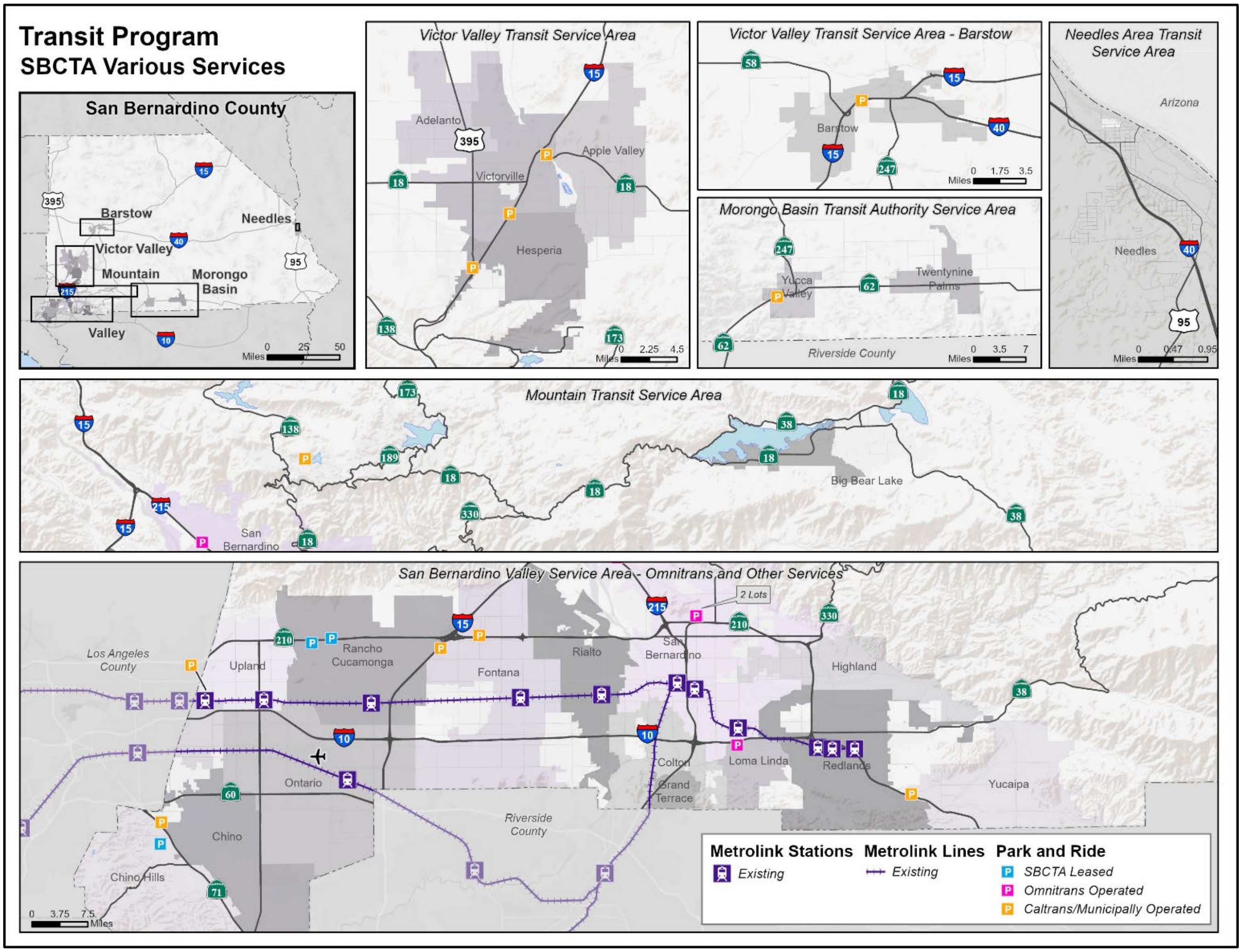
Funding Sources	
Local Transportation Fund - Planning	335,236
Local Transportation Fund - Rail	1,826,380
Rail Assets	55,500
EV Charging Stations Fund	17,300
Indirect Cost Fund	3,756
Total Funding Sources	2,238,172

Transit

Task 0314 Transit Operations

Purpose

Provide people with mobility options and access to employment, community resources, medical care, and recreational opportunities across the San Bernardino Valley by offering reliable and safe transit service within and between San Bernardino, Los Angeles, Orange, and Riverside Counties. In addition, reduce air pollution, traffic congestion, vehicle miles traveled, and energy consumption.



Accomplishments

The Metrolink San Bernardino Line service, operated by the Southern California Regional Rail Authority (SCRRA), continues to slowly recover ridership and currently is the highest ridership line in the Metrolink system. Although Metrolink ridership is still below pre-pandemic levels, the service is vital to San Bernardino County commuters and has recovered approximately 57 percent system-wide as of November 2023.

SCRRA also implemented new fare products for Metrolink customers to provide greater flexibility and enhance the customer experience, including the Student Adventure Pass Program offering free fares for students with a valid Student ID, and rebranded the Reduced Fare Discount Program as Mobility-4-All for low-income individuals. SCRRA continues to offer 5-Day and 10-Day flex passes, which provides flexibility to those working modified work schedules, allowing for telecommuting and shifts in peak hours, along with traditional one-way,

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Task 0314 Transit Operations

round-trip, 7-Day and $10 weekend passes. These initiatives are part of Metrolink's Recovery Plan Framework, which was born from its Accessibility and Affordability Study approved by its Board in 2020.

SCRRA currently operates the Arrow Service and continues to focus on exploring cleaner locomotive technology and is coordinating a Multiple Unit (MU) Implementation Study with SBCTA and Los Angeles County Metropolitan Transportation Authority (LACMTA) to evaluate opportunities to utilize MUs between Redlands and Los Angeles. The study is estimated to be completed in 2024. This effort is inspired by ongoing efforts to address climate change concerns and recommendations made in Metrolink's Climate Vulnerability Assessment Study, which includes the analysis of climate related impacts through the end of this century and provides adaptation strategies to improve infrastructure resiliency and mitigate risks.

SBCTA's Rideshare, Park and Ride Lot, and Multimodal Interconnectivity programs reduce traffic congestion, increase mobility, and improve air quality in San Bernardino County by reducing single occupancy vehicle trips. SBCTA has continued the implementation of IE Commuter (IECommuter.org, 1-866-RIDESHARE), a bi-county rideshare program with Riverside County Transportation Commission (RCTC). IE Commuter provides employer services, including South Coast Air Quality Management District (SCAQMD) Rule 2202 Average Vehicle Ridership surveying and rideshare plan development support, employee ride-matching, marketing, commuter incentives, and commuter assistance. SBCTA is the lead contracting entity for rideshare software that the regional rideshare agencies such as LACMTA, Orange County Transportation Authority (OCTA), RCTC, and Ventura County Transportation Commission (VCTC) utilize. This regional contract approach helped facilitate the consolidation of rideshare databases to provide a more efficient and robust ride-matching system for commuters throughout the region. The transition also reduced the overall cost of the software and opened up opportunities for regional cost-shared enhancements. SBCTA also continues to participate in regional rideshare activities with these agencies, which includes a monthly *On the Go* rideshare newsletter for commuters and a bi-monthly newsletter for employers. During Fiscal Year 2022/2023, the IE Commuter program provided rideshare resources to 111 employers within the county, 33 employer worksites with SCAQMD Rule 2202 surveying, which resulted in 2.5 million vehicle trip reductions and 136 million pounds of greenhouse gas emissions reduced. Incentive programs and strategic marketing continue to be restructured as needed to garner old and new rideshare participants post-pandemic. This includes the $5/Day rideshare gift card incentive, monthly rideshare spotlight, monthly telework spotlight, and rideshare week incentives. In response to the increase in teleworking, the IE Commuter program offers a Telework Employer Assistance program, resources, and incentive opportunities for teleworkers. These programs support SBCTA's Senate Bill 743 (SB743) efforts. In Fiscal Year 2023/2024, the Metrolink Rail Ridership Recovery Program, offering free rail passes to residents of the county, was soft launched to select employers to encourage new riders to try the train and to re-engage riders from pre-pandemic. The full launch is anticipated in Fiscal Year 2024/2025 after the software needed to implement the program has been fully developed. This program is being implemented in conjunction with RCTC as well as a transit trainer program to assist new riders unfamiliar with how the transit system works. SBCTA continues to lease three Park and Ride lots, adding to the region's total network of 18 lots, which includes Park and Ride lots owned and maintained or leased by California Department of Transportation (Caltrans), cities, Omnitrans, San Bernardino County and SBCTA. Looking ahead, an in-depth program review and report of the IE Commuter program is planned to help understand how IE Commuter compares in program offerings and performance to other similar rideshare and Transportation Demand Management programs. The program review will also help strategize the program moving forward and appropriately scope the program for future procurements.

SBCTA continues to actively host ongoing Multimodal Interconnectivity Working Group meetings with the county's transit operators, which include SCRRA, Basin Transit, Mountain Transit, City of Needles Transit, Omnitrans, and Victor Valley Transit Authority. The working group's goal is to integrate SBCTA's transit, rail, rideshare, vanpool, and planning programs alongside the transit operators to collaborate on countywide transit efforts with a customer facing approach and, where feasible, pursue multimodal connections. In Fiscal Year 2023/2024, the working group continued county-wide marketing efforts to encourage and regain

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Task 0314 Transit Operations

riders lost from the pandemic and launched a regional transit network campaign with an emphasis on where riders can go using transit with an initial emphasis on connections through the San Bernardino Transit Center. The effort was designed to be expanded and the Montclair Transcenter will be a key location to evaluate in FY 24/25. As part of the campaign, SBCTA's transit webpage was redesigned and paired with an opportunity drawing for riders to tell their transit story. This, among other marketing efforts, focuses on equity, regional connectivity, trip planning, and county-wide free fare days on both rail and bus. Awareness campaigns may relate to transit safety, including human trafficking, sexual harassment, and domestic violence awareness. Free fare days may occur on Transit Equity Day on February 4th, Earth Day on April 22nd, Car Free Day on Septemer 21st, Clean Air Day on October 4th, or any day that is tied to a county-wide marketing campaign. In addition to these efforts, the working group continues to focus on initiatives and pilot projects related to first/last mile connections, special shuttle opportunities, travel training and transit ambassador programs, multi-agency integration of mobile fare apps, microtransit, and considerations for implementing fare capping policies county-wide in support of transit equity. Lastly, to further increase interconnectivity between the transit operators, SBCTA will be installing new bus stops on the north and south sides of Third Street in front of the San Bernardino Santa Fe Depot. The new stops will include the construction of bus bays to accommodate two buses on either side of the street and the installation of premium bus shelters, lighting, and real-time signage. This project will improve the ease for Omnitrans and VVTA customers to transfer between various forms of transit available at the Santa Fe Depot.

Work Elements

1. Provide SBCTA's share of SCRRA's Metrolink and Arrow service annual operating subsidy.
2. MU Implementation Study.
3. Ridership Recovery; Tracking Actual versus Budget.
4. Rail Station Technical Advisory Committee (RSTAC).
5. IE Commuter rideshare program.
6. SBCTA Park and Ride lease program.
7. Bus Stop Improvements.
8. Multimodal Interconnectivity Working Group and Initiatives.
    a. Free Fare Days.
    b. Marketing/Promotion for special services and county-wide services.
    c. New initiatives related to safety on public transit.
    d. Transit Travel Training for San Bernardino County residents.
    e. Short-term park and ride and shuttle projects.

Budgetary changes are due to changes to SBCTA's annual operation subsidy for both the Arrow Service and San Bernardino Line to accommodate for the implementation of the Zero-Emission Multiple Unit (ZEMU), security funding for the Arrow rail stations, and the continuing efforts to support ongoing transit ridership programs.

Product

Process disbursement of operating and maintenance funds to SCRRA for the Metrolink and Arrow Service in a timely manner and monitor their ongoing operating needs. It should be noted that since SCRRA's budget process, which includes operating, new capital, and rehabilitation, parallels SBCTA's budget process, the SCRRA subsidies identified initially in the SBCTA budget are an estimate. The SCRRA budget and corresponding SBCTA subsidies are presented by a separate action to the SBCTA Board for approval in June. Typically this action includes a budget amendment. Continue the success of the RSTAC, which provides a venue for local jurisdictions, operators, law enforcement, and SBCTA to share information and develop best management practices related to the security of the rail system in the San Bernardino Valley. Reduce traffic congestion, increase mobility, and improve air quality in San Bernardino County by reducing single occupancy vehicle trips. Improve regional connectivity, customer experience, and transit awareness through county-wide multimodal coordination.

Transit

Task 0314 Transit Operations

Contract Information

a. Existing Contracts
   i. 17-1001666, San Bernardino Transit Center Station Security and Operations & Maintenance Agreement, Amount Budgeted $100,000.
   ii. 19-1002203, Rideshare Program Software, Amount Budgeted $766,329.
   iii. 20-1002253, Tippecanoe Station Security and Operations & Maintenance Agreement, Amount Budgeted $250,000.
   iv. 20-1002255, University of Redlands Station Security and Operations & Maintenance Agreement, Amount Budgeted $341,000.
   v. 20-1002310, Vehicle Spare Parts and Operations, Amount Budgeted $350,000.
   vi. 21-1002655, Downtown Redlands Station Security and Operations & Maintenance Agreement, Amount Budgeted $100,000.
   vii. 22-1002742, Park and Ride Lot Lease, Amount Budgeted $3,600.
   viii. 22-1002743, Park and Ride Lot Lease, Amount Budgeted $8,532.
   ix. 22-1002676, Park and Ride Lot Lease, Amount Budgeted $10,800.

b. New Contracts
   i. RFP, Transit and Specialized Transit Planning, Amount Budgeted $250,000, Total Estimated Contract Amount $1,000,000.
   ii. Park and Ride Lot Leases, Amount Budgeted $57,999, Total Estimated Contract(s) Amount $57,999.
   iii. MOU, Rideshare and Vanpool Program Implementation, Amount Budgeted $1,750,000, Total Estimated Contract Amount $2,147,500.
   iv. RFP/IFB, Bus Stop Improvement – San Bernardino Santa Fe Depot, Amount Budgeted $800,000, Total Estimated Contract Amount $800,000.
   v. RFP, Bus Stop Consultation and Professional Services – San Bernardino Santa Fe Depot, Amount Budgeted $200,000, Total Estimated Contract Amount $200,000.

Local Funding Source Detail

   i. Riverside County Transportation Commission - $146,012.
   ii. Los Angeles County Metropolitan Transportation Authority - $271,713.
   iii. Orange County Transportation Authority - $133,899.
   iv. Ventura County Transportation Commission - $40,485.

Manager

Victor Lopez, Director of Transit and Rail Programs

Transit

Task 0314 Transit Operations

Expenditures	**2021/2022 Actual**	**2022/2023 Actual**	**2023/2024 Revised Budget**	**2024/2025 Budget**
Regular Full-Time Employees	36,004	48,400	67,471	98,249
Fringe Allocation-General	35,577	47,370	52,965	72,606
Professional Services	1,556,911	2,647,926	7,863,720	5,271,061
Consulting Services	(43,529)	84	150,000	188
Utilities	-	209	-	-
Maintenance-Motor Vehicles	-	2,332,473	104,000	350,000
Utilities Capital	-	3,393	5,000	-
Dues/Memberships	18,701	52,409	70,000	51,820
Training/Registration	333	288	2,100	2,600
Postage	440	44	1,150	1,100
Travel Expense - Employee	-	229	3,750	4,475
Travel Expense-Mileage-Employee	63	537	1,000	1,125
Travel Expense-Other-Metrolink Tickets	-	-	750	687
Advertising	-	800	-	-
Printing - External	345	178	26,100	26,000
Printing - Internal	-	-	200	100
Contributions/Subsidies	5,870,478	24,950,434	38,211,808	50,536,099
Office Expense	-	194	200	200
Meeting Expense	-	-	450	475
Total Expenditures	7,475,322	30,084,969	46,560,664	56,416,785

Funding Sources	
Local Transportation Fund - Admin	25,910
Local Transportation Fund - Planning	78,857
Local Transportation Fund - Rail	34,442,306
State Transit Assistance Fund - Rail	577,500
Congestion Mitigation and Air Quality	2,363,732
Low Carbon Transit Operations Program	397,500
MSI Valley Fund-Metrolink/Rail Service	17,037,293
MSI Valley Fund-Traffic Mgmt Sys	664,939
MSI Victor Valley Fund-Traffic Mgmt Sys	236,639
Local Projects Fund	592,109
Total Funding Sources	56,416,785

Transit

Task 0315 Transit Capital

Purpose

Implement and provide funding for capital improvements and projects that develop and maintain high quality transit options, increase mobility, provide for safe operations, and expand service.

Accomplishments

The availability of funding for transit and rail capital projects has translated into significant transit enhancements for our region, allowing for build out of a more comprehensive transit network.

Close out of the various project activities for the Redlands Passenger Rail Project (RPRP) was completed. Substantial progress was made on the right of way acquisitions for the West Valley Connector (WVC) Bus Rapid Transit Project, and the mainline construction contract was awarded in September 2023, with physical construction beginning in early 2024. The Zero-Emission Multiple Unit (ZEMU) arrived in the United States in August 2023 and was showcased at the American Public Transportation Association Expo in Orlando, Florida, in October 2023. Vehicle testing continued at the Transportation Technology Center in Pueblo, Colorado, and testing on the Arrow corridor is scheduled to be completed in summer 2024. The hydrogen fuel station and the Arrow Maintenance Facility (AMF) retrofit is ongoing and is scheduled to be completed summer 2025. Work on the environmental clearance for the Tunnel to Ontario International Airport (ONT) project continued. Additionally, SBCTA released two Requests for Qualifications (RFQs) for the Design Build and Operating System Provider to ultimately build and operate the tunnel.

On an annual basis, as a member agency of the Southern California Regional Rail Authority (SCRRA), SBCTA provides funding for capital related expenditures, including rehabilitation and new capital. In recent years, SBCTA's capital subsidy has funded positive train control and other safety efforts, cleaner locomotives, studies on alternative fuel technology, rolling stock, ticket vending machine replacements, and track and signal infrastructure improvements. It should be noted that since SCRRA's budget process parallels SBCTA's, the SCRRA capital subsidy identified initially in the SBCTA budget is an estimate. The SCRRA budget and corresponding SBCTA subsidies are presented by separate action to the SBCTA Board for approval in June. Typically, this action includes a budget amendment. Costs associated with the annual capital and rehabilitation to SCRRA are captured under this Task. This is not a specific capital project, but an ongoing subsidy. Federal funds allocated to SCRRA as part of their capital subsidy are administered by SCRRA and do not flow through the SBCTA budget.

The majority of funding for capital projects is comprised of formula funds consisting of Valley Measure I Metrolink/Rail Program funds, Valley Measure I Express Bus & Bus Rapid Transit Program funds, Federal Transit Administration (FTA) funds, and Transportation Development Act (TDA) funds. In addition, SBCTA aggressively pursues grant funding to augment the available formula funds.

Budgetary change are due to the completion of the Redlands Passenger Rail Project, ongoing construction and right of way acquisitions for the West Valley Connector Project, the construction of the Hydrogen Fueling Infrastructure and Retrofit of Arrow Maintenance Facility for the ZEMU Project, environmental clearance activities for the Tunnel to ONT Project, the facilitation of funding for the Brightline – High Desert Stations Project, and the initiation of the Lilac to Sycamore Double Track cooperative project agreement.

Contract Information – Transit Program

Contracts for the specific sub-tasks are included in the sub-task narratives. Contracts and/or staff time that are utilized on all sub-tasks within the Program are identified here. Currently, there are no contracts assigned at the task level.

Local Funding Source Detail

The local funding source detail is specific to the individual sub-tasks and is included in the sub-tasks narratives.

Manager

Victor Lopez, Director of Transit and Rail Programs

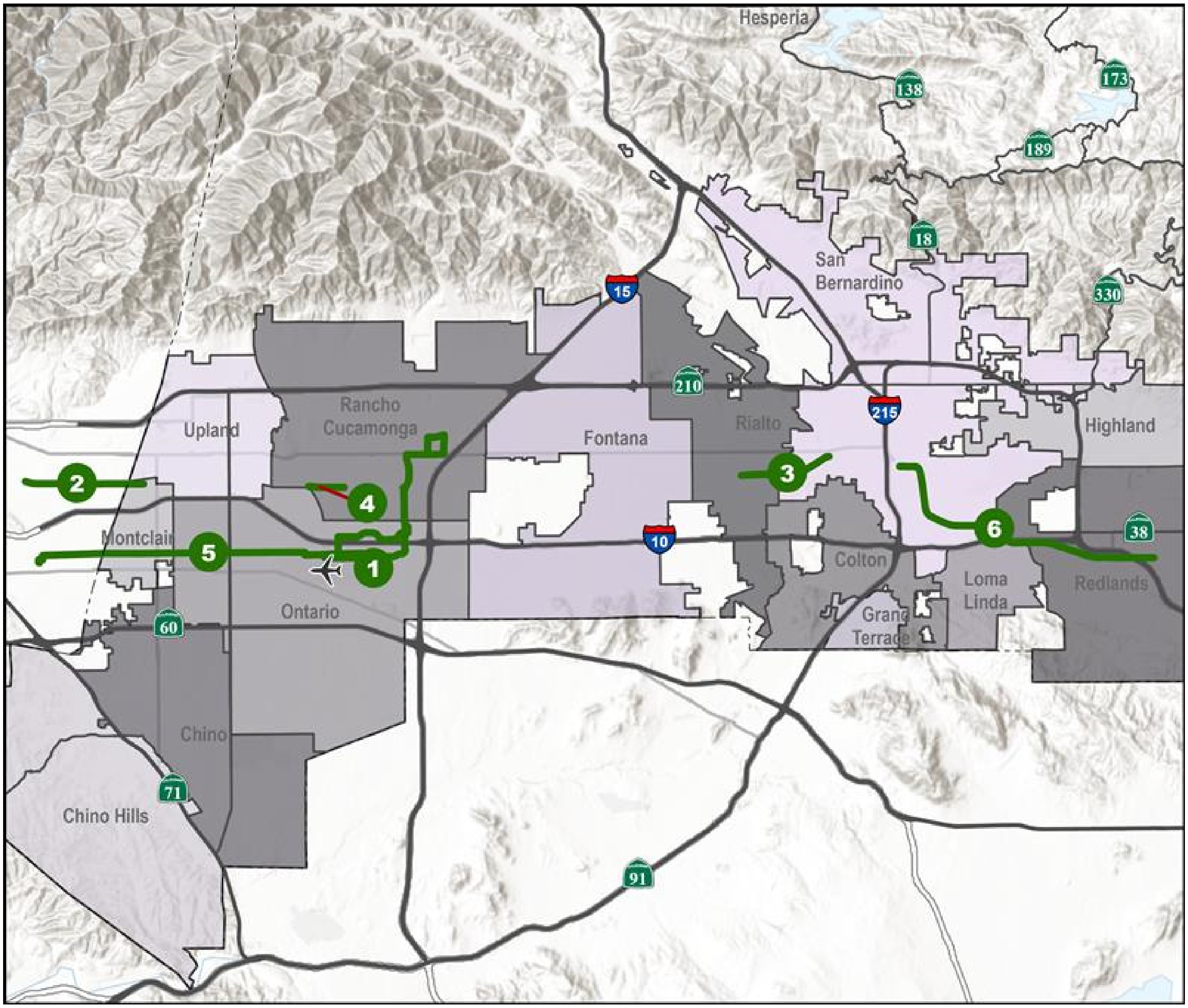
Transit

Task 0315 Transit Capital

Expenditures	**2021/2022 Actual**	**2022/2023 Actual**	**2023/2024 Revised Budget**	**2024/2025 Budget**
Regular Full-Time Employees	198,995	200,094	236,366	199,759
Fringe Allocation-General	196,634	195,836	186,085	147,622
Professional Services	16,609,868	26,231,689	39,277,864	45,770,240
Consulting Services	2,373,571	3,200,913	1,651,450	2,694,112
Program Management Fees	5,297,999	3,588,353	2,046,133	2,300,007
Legal Fees	2,403,072	4,327,707	3,369,462	5,272,953
Utilities	65,944	25,174	-	-
Maintenance-Motor Vehicles	-	33,746	-	-
Rail Maintenance of Way	-	52,585	-	-
Construction Capital	18,284,685	7,912,277	64,036,166	93,265,242
Utilities Capital	2,146,116	(108,888)	4,096,030	2,183,500
Right of Way Capital	1,804,189	22,464,584	33,687,594	16,481,711
Dues/Memberships	-	-	3,000	3,000
Postage	29	179	7,156	-
Travel Expense - Employee	-	3,411	1,500	15,000
Travel Expense-Other-Metrolink Tickets	-	-	50	-
Advertising	953	483	10,000	-
Public Information Activities	116,824	75,392	435,392	210,000
Contributions/Subsidies	89,200	163,740	6,000,000	3,000,000
Meeting Expense	394	173	-	-
Motor Vehicles	12,793,967	12,403,582	19,566,980	4,450,000
Buildings and Structures	-	-	-	8,348,067
Total Expenditures	62,382,440	80,771,031	174,611,228	184,341,213

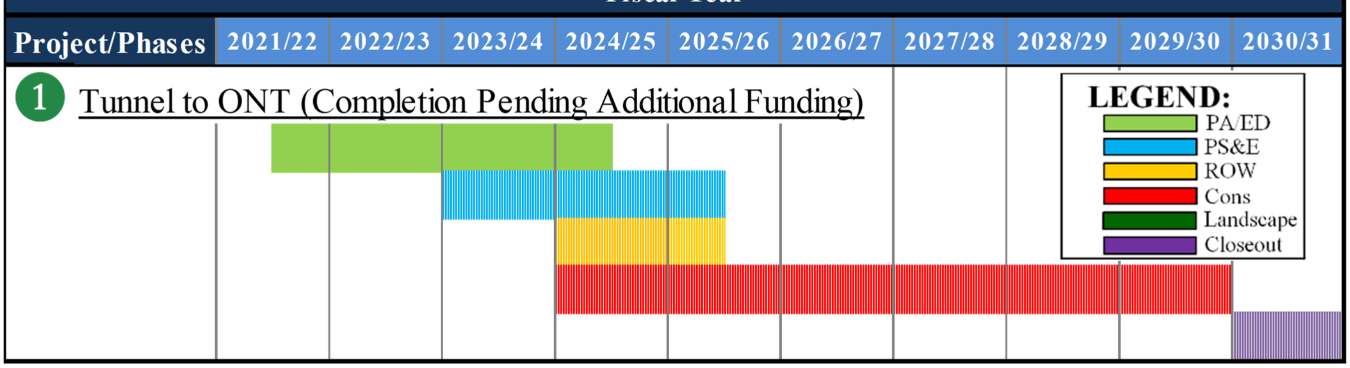
Funding Sources	
Local Transportation Fund - Planning	52,563
Local Transportation Fund - Rail	33,637
State Transit Assistance Fund - Rail	28,468,481
State of Good Repair – SBCTA	2,505,811
Federal Transit Administration 5307	659,692
Federal Transit Administration 5307-CMAQ	5,654,035
Federal Transit Administration 5309	38,246,712
Federal Railway Administration	5,806,539
Transit and Intercity Rail Capital Progr	32,057,024
Affordable Housing & Sustainable Communities Program	4,899,283
Solutions for Congested Corridors Program-SB1	37,343,567
Transit and Intercity Rail Capital Program-SB125	3,502,716
SCAQMD/Mobile Source Review Committee	831,000
MSI Valley Fund-Metrolink/Rail Service	108,367
MSI Valley Fund-Express Bus/Rapid Trans	16,715,849
Local Projects Fund	7,455,937
Total Funding Sources	184,341,213

Transit Program
Valley Subarea

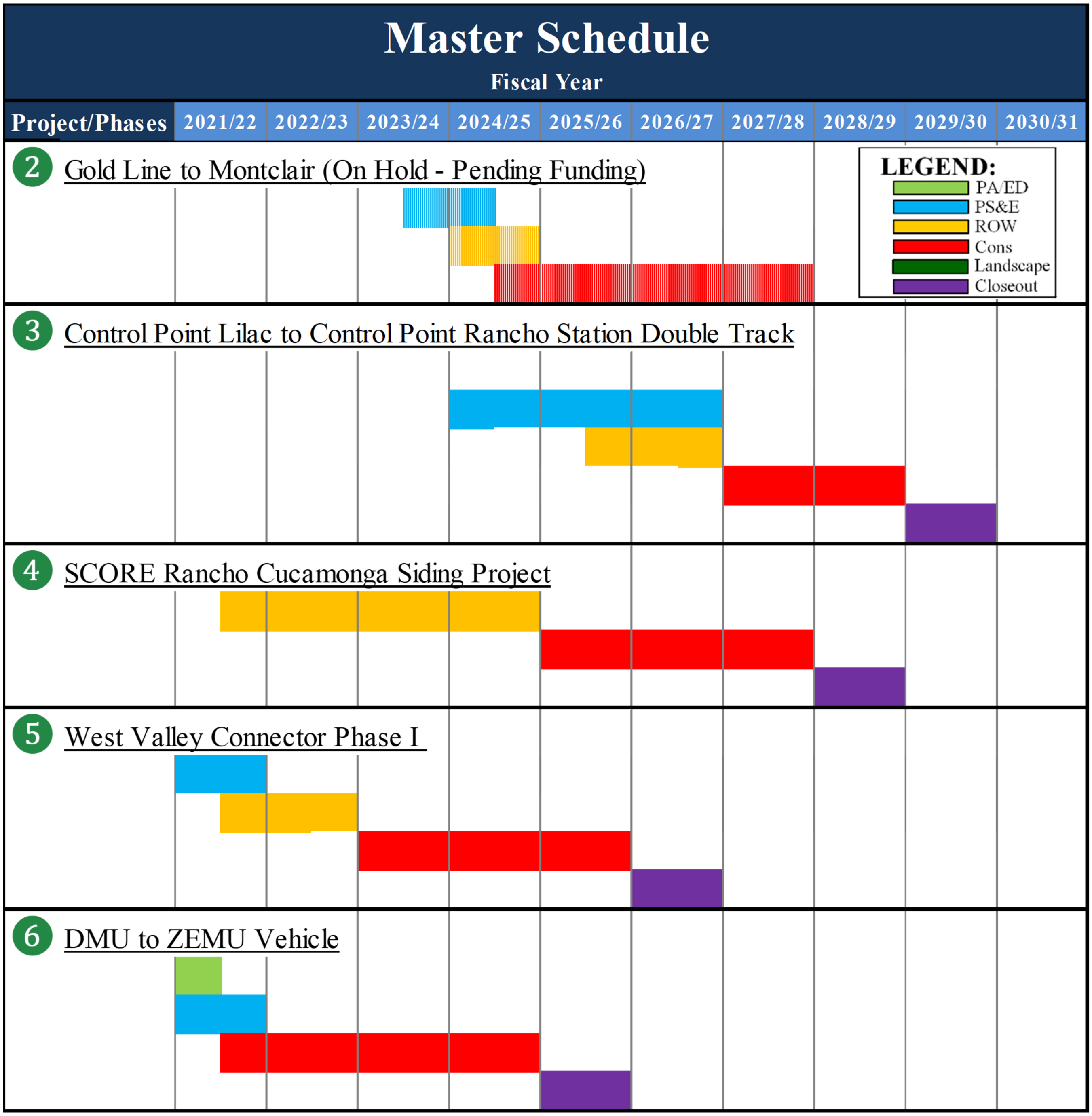


Master Schedule

Fiscal Year



Transit Program
Valley Subarea



1 **Project** **Tunnel to ONT (0337)**

Description

Innovative subterranean direct connection between the Cucamonga Metrolink Station and Ontario International Airport (ONT). The project includes the construction of a four mile sub-surface bi-directional tunnel system using autonomous rubber tire zero emission vehicles that will serve as an on-demand direct connection to ONT from the Cucamonga Station along the Metrolink San Bernardino Line. Construction will primarily use public right of way involving coordination with partner agencies, including the cities of Rancho Cucamonga and Ontario, the Ontario International Airport Authority (OIAA), California Department of Transportation (Caltrans), Metropolitan Water District, and Union Pacific Railroad. It includes a surface station at the Cucamonga Metrolink Station and two surface stations at ONT. Current Phase: Procurement/Environmental.

Total Estimated Cost	Costs to Date	Proposed Budget	Future Costs
$539,000,000	$28,248,986	$15,750,000	$495,001,014

Contract Information

a. Existing Contracts
   i. 21-1002451, Legal Services, Amount Budgeted $1,000,000.
   ii. 21-1002452, Program Management/Construction Management, Amount Budgeted $4,200,000.
   iii. 22-1002758, Environmental Services Contract, Amount Budgeted $3,000,000.
   iv. 23-1002995, Public Outreach Services and Graphic Design Support, Amount Budgeted $50,000.

b. New Contracts
   i. RFP, Design-Build Capital Construction Contract, Amount Budgeted $6,000,000, Total Estimated Contract Amount $400,000,000.
   ii. MOU, Right of Way Acquisitions, Amount Budgeted $500,000, Total Estimated Contract Amount $815,000.
   iii. MOU, Utility Relocations, Amount Budgeted $1,000,000, Total Estimated Contract Amount $2,300,000.

2 Project Gold Line Extension to Montclair (0326)

Description

The Foothill Gold Line - Phase 2B, from the City of Azusa to the City of Montclair, will extend the Metro Gold Line, 12.3 miles and add six stations, including a final stop at the Montclair Transcenter. Approximately 3,600 feet of the 12.3 mile project falls within San Bernardino County. The portion within San Bernardino County is identified as one of the projects in the San Bernardino County Measure I 2010-2040 Expenditure Plan. As project implementation responsibilities reside with the Metro Gold Line Foothill Extension Construction Authority (Construction Authority), SBCTA's role is to provide coordination, oversight, and funding for the portion in San Bernardino County. SBCTA relies heavily on the use of Federal funds to deliver large rail projects. The Construction Authority's current plan is to deliver Phase 2B without Federal funds. In December 2018, Los Angeles County Metropolitan Transportation Authority (LACMTA) led an effort to submit a Transit and Intercity Rail Capital Program (TIRCP) grant for the remaining funding needed in Los Angeles County, $249 million, as well as the remaining funding needed in San Bernardino County, which was $41 million. The TIRCP grant application was successful with the award of $290 million, and the Construction Authority initiated the design-build procurement process. After receipt of the initial design-build cost proposals, the need for additional funding was identified, the $249 million for Los Angeles County was used to build to Pomona, and a contract option, which expired on October 7, 2021, was provided for the work between Pomona and Montclair. LACMTA anticipates the use of Senate Bill 125 (SB125) TIRCP funding to proceed with work beyond the City of Pomona. Current Phase: Design-Build (Pomona to Montclair on-hold pending funding).

Total Estimated Cost*	Costs to Date	Proposed Budget	Future Costs
$80,000,000	$1,926,955	$103,000	$77,970,045

***SBCTA has $80 million identified funding for the portion of the project in San Bernardino County; $39 million non-federal formula funds and $41 million TIRCP grant funds.**

Contract Information

a. New Contracts
   i. RFP/CTO, General Coordination – Consultant Review, Amount Budgeted $100,000, Total Estimated Contract Amount, $250,000.

3 Project Control Point Lilac to Control Point Rancho Station Double Track (0328)

Description

This project includes the construction of a double track section on the Metrolink San Bernardino Line between Control Point (CP) Lilac and CP Rancho, a three mile segment spanning the cities of Rialto and San Bernardino, which includes 10 at-grade crossings considered for quiet zone improvements, improvements to the railroad signaling and communications systems to accommodate Positive Train Control (PTC), the addition of a second platform at the Rialto Metrolink Station, and a pedestrian underpass. While not funded as part of the initial wave of the Metrolink Southern California Optimized Rail Expansion Plan (SCORE) Program, Metrolink has identified a substantial portion of this segment as a possible initial phase, from CP Lilac, through the Rialto Station, to Sycamore Avenue. Preliminary Engineering and Environmental Clearance have been completed and project is fully funded. The costs shown below are for the shorter project segment. Current Phase: Final Design.

Total Estimated Cost*	Costs to Date	Proposed Budget	Future Costs
$84,254,756	$2,229,187	$8,800,000	$73,225,569

***Total cost of the longer double track section is $108 million.**

Contract Information

a. New Contracts
   i. Cooperative Agreement, Delivery of the Double Track Project, Amount Budgeted $8,800,000, Total Estimated Contract Amount $75,109,635.

4 **Project** **SCORE Rancho Cucamonga Siding Project (0338)**

Description

Right of way support for the Rancho Cucamonga Siding Project element of the Southern California Optimized Rail Expansion (SCORE) program, which proposes to enable 30-minute bi-directional service on the highest ridership segments of Southern California's busiest regional rail corridors: the Orange County, Ventura County, and San Bernardino Lines. The Rancho Cucamonga Siding Project extends an existing siding track by approximately 4,600 feet. In addition, the project includes a new No. 24 power turnout, pedestrian safety improvements at two at-grade crossings, new track panels at the grade crossings (Hellman Ave. and Archibald Ave.), extension of three drainage culverts, and railroad signal modifications to accommodate the siding extension. Right of way support includes reviewing acquisition packet templates, approving Just Compensation, and pursuing condemnation process as necessary for the Rancho Cucamonga Siding Project. Acquisitions for the project have been completed. Remaining anticipated tasks include modifying existing license agreements and issuing new license agreements with utilities and the City of Rancho Cucamonga to reflect the reconfiguration of improvements located within the right of way. Current Phase: Right of Way.

Total Estimated Cost*	Costs to Date	Proposed Budget	Future Costs
$200,000	$60,553	$50,000	$89,447

***Total estimated cost for SBCTA's support only. Total estimated project cost is $27,000,000.**

Contract Information

a. Existing Contracts
   i. 22-1002749, Legal Services Supporting Right of Way Acquisitions, Amount Budgeted $50,000.

Local Funding Source Detail

   i. Southern California Regional Rail Authority - $51,186.

5 Project West Valley Connector Phase 1 (0334)

Description

The West Valley Connector (WVC) Project is a 19 mile long bus rapid transit (BRT) project that proposes limited stops, providing speed and quality improvements to the public transit system within the corridor. The WVC will serve the cities of Pomona, Montclair, Ontario, and Rancho Cucamonga; interconnect with two Metrolink stations; provide service to the Ontario International Airport; and link to the Ontario Mills shopping/entertainment complex, Ontario Convention Center, and Victoria Gardens as well as other mixed-use development in Rancho Cucamonga planned as part of the HART District. In addition, the proposed project includes the purchase of 18 battery electric buses and improvements to the Omnitrans maintenance facility needed to operate and maintain the battery electric buses. Current Phase: Construction.

Total Estimated Cost	Costs to Date	Proposed Budget	Future Costs
$320,334,695	$164,480,423	$129,716,625	$26,137,647

Contract Information

a. Existing Contracts
   i. 00-1000940, CTO No. 71, Project Management Consulting Services, Amount Budgeted $1,516,482.
   ii. 18-1001788, Omnitrans Cooperative Agreement, Amount Budgeted $14,155,104.
   iii. 18-1001870, Environmental and Design Services, Amount Budgeted $1,061,939.
   iv. 18-1001924, CTO No. 3, Right of Way Services, Amount Budgeted $288,309.
   v. 19-1002002, CTO No. 2, Right of Way Services, Amount Budgeted $3,436,452.
   vi. 19-1002007, CTO No. 3, Right of Way Services, Amount Budgeted $288,309.
   vii. 19-1002008, CTO No. 3, Right of Way Services, Amount Budgeted $288,309.
   viii. 19-1002009, CTO No. 3, Right of Way Services, Amount Budgeted $1,135,069.
   ix. 20-1002339, CTO No. 6, Labor Compliance, Amount Budgeted, $35,000.
   x. 21-1002532, Administrative Contract, Right of Way Capital Acquisition, Amount Budgeted $15,731,710.
   xi. 21-1002662, Construction Management, Amount Budgeted $11,260,810.
   xii. 22-1002778, West Valley Connector Artist Honorarium Agreement, Amount Budgeted $350,000.
   xiii. 22-1002812, Dry Utilities Agreement, Amount Budgeted $1,183,500.
   xiv. 23-1002891, Mainline Capital Construction, Amount Budgeted $77,517,108.
   xv. 23-1002995, Public Outreach and Event Management Services and Graphic Design Support, Amount Budgeted $35,000.
   xvi. 24-1003047, Dry Utilities Agreement, Amount Budgeted $250,000.

b. New Contracts
   i. RFP, Project Management Consulting Services, Amount Budgeted $783,522, Total Estimated Contract Amount $783,522.
   ii. RFP, Legal Services and Activities, Amount Budgeted $200,000, Total Estimated Contract Amount $200,000.

Local Funding Source Detail

   i. Omnitrans - $7,402,962

6 **Project** **DMU to ZEMU - Diesel Multiple Unit to Zero Emission Multiple Unit Vehicle Conversion (0336)**

Description

The Zero Emission Multiple Unit Vehicle (ZEMU) project includes the design and procurement of the first self-contained zero emission passenger rail vehicle in North America. The design and operating parameters are based on the Diesel Multiple Unit (DMU) vehicles procured for the Arrow Service. The chosen alternative propulsion system is hybrid battery-hydrogen fuel cell. SBCTA was awarded a total of $45.7 million Transit and Intercity Rail Capital Program (TIRCP) grant to lead the effort and $1.6 million from the Mobile Source Review Committee for the hydrogen fueling infrastructure. In December 2023, SBCTA allocated $4.4 million in TIRCP Senate Bill 125 funds to accommodate an increase to the capital project. The current estimate for the base project is $65.65 million, which includes the vehicle, modifications to the Arrow Maintenance Facility, major equipment purchase, and hydrogen fueling infrastructure. The TIRCP grant requires the conversion of the DMU vehicles purchased for the Arrow Service, at some point in the future, once the technology is proven in the pilot vehicle. An early estimate for conversion of the Arrow Service DMUs is $14 million per vehicle but this is subject to change. Current Phase: Facility Upgrade Design, Fueling Infrastructure Construction, and Vehicle Testing.

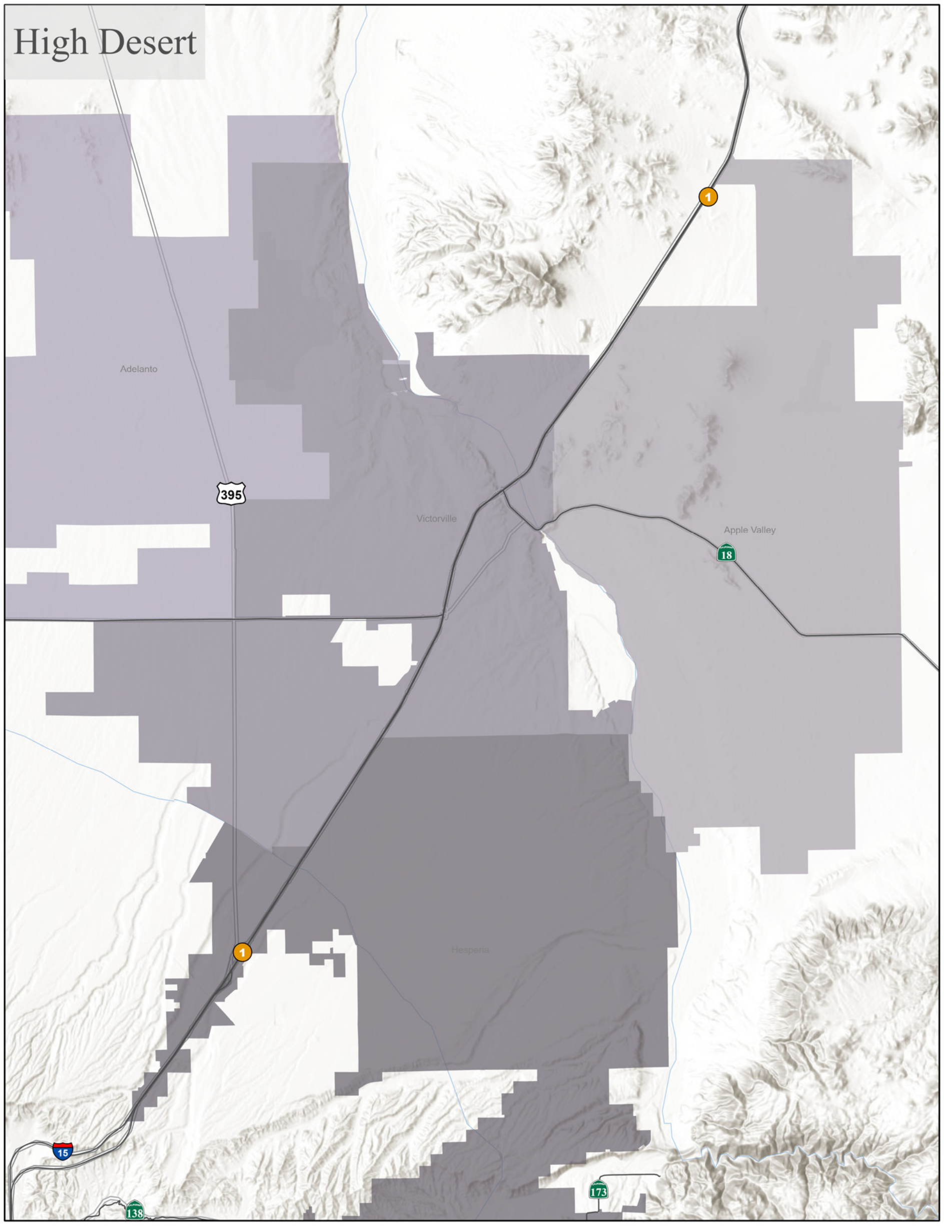
Total Estimated Cost	Costs to Date	Proposed Budget	Future Costs
$65,650,659	$14,965,209	$20,282,943	$30,402,507

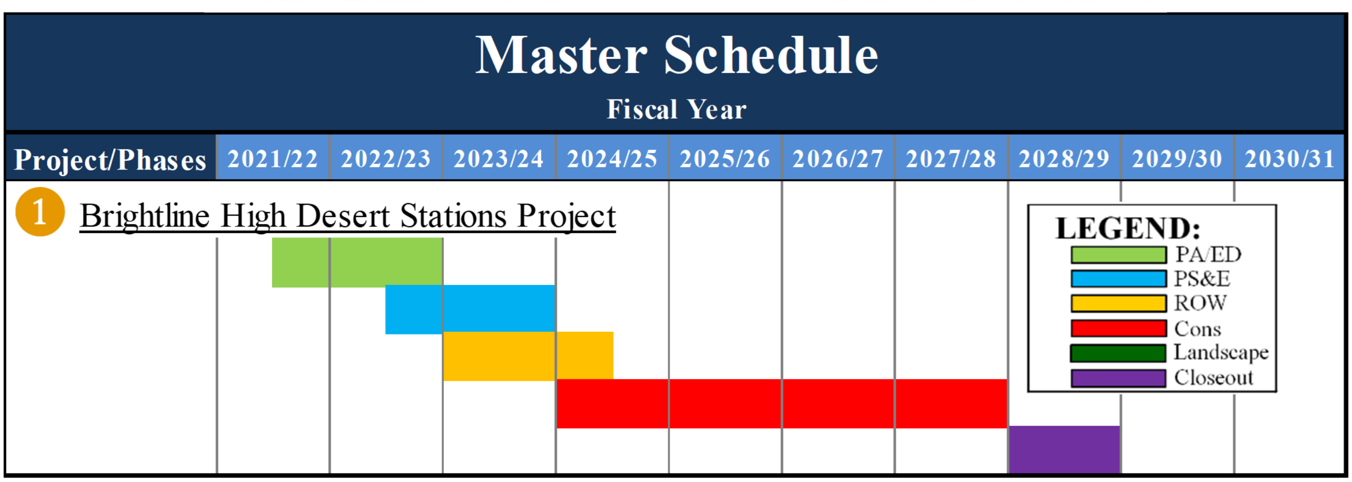
Contract Information

a. Existing Contracts
   i. 15-1001125, WO No. 09, SCRRA Support for Operational and Technical Review of the ZEMU, Amount Budgeted $40,000.
   ii. 15-1001125, WO No. 13, SCRRA Rail Support and Vehicle Testing, Amount Budgeted $192,000.
   iii. 20-1002310, Procurement of ZEMU Rail Vehicle, Amount Budgeted $4,400,000.
   iv. 21-1002658, Construction Management, Arrow Maintenance Facility Hydrogen Fuel Upgrade Amount Budgeted $507,885.
   v. 22-1002666, Hydrogen Safety Panel, Amount Budgeted $60,129.
   vi. 22-1002687, SCRRA ZEMU Support, Amount Budgeted $777,091.
   vii. 22-1002750, Professional Legal Support, Amount Budgeted $100,000.
   viii. 23-1002904, CTO No. 07, Project Management Consulting Services, Amount Budgeted $1,724,392.
   ix. 23-1002922, Retrofit of Arrow Maintenance Facility, Amount Budgeted $8,348,065.
   x. 23-1002961, Major Equipment Purchase, Amount Budgeted $478,382.
   xi. 23-1002995, Public Outreach and Graphic Design Support, Amount Budgeted $160,000.

b. New Contracts
   i. IFB, Hydrogen Fueling Station Construction, Amount Budgeted $3,465,000, Total Estimated Contract Amount $6,930,000.

Transit Program
High Desert Subarea





1 **Project** **Brightline-High Desert Stations Project (0339)**

Description

The Brightline West High-Speed Intercity Passenger Rail System – High Desert Stations Project is for the design and construction of the Hesperia Station and Victor Valley Station along the Brightline West privately owned and operated high speed rail corridor extending from Las Vegas, Nevada, to Rancho Cucamonga, California. The project lead is Brightline West and it includes the design and construction of the two stations in the high desert region of San Bernardino County as well as grant administration and oversight responsibilities for a $25,000,000 award under the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) 2023 Grant Program. Current Phase: Final Design.

Total Estimated Cost*	Costs to Date	Proposed Budget	Future Costs
$25,000,000	$0	$ 5,804,750	$19,195,250

***Total estimated cost for SBCTA's support only. Total estimated project cost is $66,082,500.**

Contract Information

a. New Contracts

i. MOU, Subrecipient Agreement with Brightline, Amount Budgeted $5,804,750, Total Estimated Contract $25,000,000.

Local Funding Source Detail

i. Brightline West - $1,789

Transit

Task 0383 Vanpool Program

Purpose

Operate and maintain a countywide Vanpool Subsidy Program to provide an alternative mode of transportation for commuters in San Bernardino County that reduces roadway congestion and air pollution in our region.

Accomplishments

In 2015, based on the success of other regional vanpool programs in the area, SBCTA studied opportunities to initiate a countywide Vanpool Program that would serve all our communities and provide an opportunity to work with neighboring vanpool programs to reduce roadway congestion. The Board approved implementing the program using Congestion Mitigation and Air Quality (CMAQ) funds. The CMAQ funds flow through the Federal Transit Administration (FTA) and Omnitrans to SBCTA as a sub-recipient. SBCTA's Vanpool Program, branded as SB Loop, launched on September 1, 2018. As part of the program, SBCTA reports vanpool utilization data to the National Transit Database (NTD). This in turn generates additional FTA 5307 funds for San Bernardino County. Starting in Fiscal Year 2020/2021, SBCTA recognized an increase of approximately $281,461 in FTA 5307 from the first 10 months of operations and NTD reporting during Fiscal Year 2018/2019, $826,933 in Fiscal Year 2021/2022 for operations during Fiscal Year 2019/2020 and $924,670 in Fiscal Year 2022/2023 for operations during Fiscal Year 2020/2021.

SB Loop provided up to a $600 subsidy per month towards the cost of a vanpool, or $700 for zero emission vehicles, for vanpools traveling into SBCTA's service area during Fiscal Year 2023/2024. This includes the Valley, Mountains, Morongo Basin, and Colorado River Subareas of the county. The Victor Valley Transit Authority (VVTA) operates a separate vanpool program in their service area. Vanpools qualify for the SB Loop subsidy by having 70 percent occupancy in a minimum seven passenger vehicle at start-up, maintaining 50 percent occupancy month to month, as well as commuting a minimum of 12 days per month with 30 miles roundtrip daily. These qualifications were temporarily suspended due to the Coronavirus (COVID-19) pandemic to allow for social distancing and to accommodate flex schedules but have since been reinstated. Ridership recovery programs continue to be monitored, in addition to low-income and disadvantaged community programs, for effectiveness in increasing ridership and new vanpools, administrative time to manage, as well as impacts to return of FTA 5307 funds. At the end of Fiscal Year 2022/2023, there were 79 vanpools approved to participate in the program.

SBCTA works through the Riverside County Transportation Commission and the IE Commuter program to provide program staffing and marketing and a software company for the online application reporting system and database that supports the program. SB Loop and the proprietary software customized for the program, provides a sense of ease to participants looking to join or start a stress free commute. The vanpool vehicles are provided currently through a single vendor, Commute with Enterprise, via monthly agreements directly with vanpool participants. Staff continues to offer the use of non-federal funds for zero emission vehicles if selected by vanpool groups.

Work Elements

1. Implement marketing and media campaigns to increase vanpool participation to reduce single occupancy vehicle trips.
2. Work with employers and coordinate with SBCTA's IE Commuter rideshare program to identify potential vanpool formation and participation.
3. Analyze and monitor equity and occupancy based subsidy benefits.
4. Restructure and, as needed, adjust the vanpool subsidy amount, including program guidelines as a result of economic factors.
5. Maintain and enhance, as needed, an accurate database through the online software system for reporting vanpool program data into the NTD and for the FTA's review and evaluation.

Transit

Task 0383 Vanpool Program

6. Continue to work with consultants for the administration of the Vanpool Subsidy Program.
7. Work with Omnitrans through a Memorandum of Understanding for the pass-through of FTA 5307 funds derived from the vanpool program.
8. Coordinate with neighboring vanpool programs on regional vanpool ridematching solutions and marketing campaigns to increase the reduction of single occupancy vehicles.

Product

Incentivize the use of vanpools as an alternative mode of transportation that reduces traffic congestion, improves air quality, and increases the amount of FTA 5307 funds being returned to SBCTA by increasing the number of vanpools participating in SB Loop.

Contract Information

a. Existing Contracts
   i. 17-1001683, Online System Developer, Amount Budgeted $50,000.
   ii. 23-1002958, Vanpool Vehicle Provider, Amount Budgeted $984,000.

b. New Contracts
   i. MOU, Rideshare and Vanpool Program Implementation, Amount Budgeted $210,000, Total Estimated Contract Amount $2,147,500.

Manager

Victor Lopez, Director of Transit and Rail Programs

Transit

Task 0383 Vanpool Program

Expenditures	**2021/2022 Actual**	**2022/2023 Actual**	**2023/2024 Revised Budget**	**2024/2025 Budget**
Regular Full-Time Employees	16,282	15,599	23,697	26,788
Fringe Allocation-General	16,089	15,267	18,602	19,796
Professional Services	289,173	467,602	1,260,000	1,284,000
Consulting Services	81,106	5,875	-	-
Dues/Memberships	15,407	15,870	20,000	40,000
Training/Registration	288	288	2,000	2,000
Postage	-	-	100	100
Travel Expense - Employee	-	-	2,125	2,125
Travel Expense-Mileage-Employee	-	-	300	300
Travel Expense-Other-Metrolink Tickets	-	-	250	250
Advertising	-	209	150	150
Printing - Internal	-	-	100	100
Office Expense	-	-	100	100
Meeting Expense	-	-	2,000	2,000
Total Expenditures	418,346	520,709	1,329,424	1,377,709

Funding Sources	
Federal Transit Administration 5307-CMAQ	1,185,000
MSI Valley Fund-Traffic Mgmt Sys	192,709
Total Funding Sources	1,377,709

Minute Action

AGENDA ITEM: 4

Date: March 14, 2024

Subject:
Transit Operators and Transportation Development Act Audits for Fiscal Year 2022/2023

Recommendation:
Review and receive the Transit Operators and Transportation Development Act Audit Reports for Fiscal Year 2022/2023.

Background:
Each year San Bernardino County Transportation Authority (SBCTA) provides for audits of all local jurisdictions (agency) receiving Transportation Development Act (TDA) Funds, which are dedicated to support local transit service and investments, pedestrian and bicycle facilities, and local street improvement projects.

A financial examination is completed by an independent audit firm for activities during the previous fiscal year, including internal control systems of checks and balances. The examination must encompass both project expenditures and projects for which funds were allocated and expended. A listing of all the TDA projects comparing actual revenues and expenses to budgeted revenues and expenses must be included with any interest earned. In addition, the report must state if the local match for each project is met and the claimants complied with the TDA, the Uniform System of Accounts for Public Transit Operators, and/or the updated National Transit Database Reporting Manuals when applicable. The report shall also contain an examination of expenditures, statement of revenue and expenses, and a balance sheet for each TDA fund.

SBCTA utilized on-call audit agreements with Conrad, LLP and Crowe, LLP, as well as piggy-back agreements with Brown Armstrong Accountancy Corporation, BCA Watson Rice - Western Region, LLP and The Pun Group, LLP, to conduct Compliance Audits of the TDA Funds for a single-year period.

These auditors verified compliance with California Public Utilities Code 66343, California Code of Regulations Sections 6664, 6666, and/or 6667, Proposition 1B, California Transit Security Grant Program, federal Single Audit Act, and SBCTA Compliance Audit Guide. These auditors also verified that the agencies met the local match requirements for each project or fare ratios for transit operators.

The audits for Fiscal Year 2022/2023 resulted in the following findings:

City of Loma Linda (City) Management Letter Comments:

- While performing audit procedures over cash and investments, it was noted that the City's bank reconciliation for June 2023 was not prepared until September 2023. 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. The City stated that the June 2023 bank reconciliation was not completed timely due to final journal entries that affect the cash balance that would not be finalized until the end of August 2023. It is recommended that the City review the timing of its reconciliation procedures to complete it within a month after month-end.

Corrective Action: The City agrees with the finding. The City's bank reconciliation process schedule begins right after the end of the previous month. For the June 2023 year-end, due to certain allocation journal entries and year-end accruals that affect cash balances by fund, the bank reconciliation process was not finalized until all year-end closing adjustments were posted which occurred towards the end of August 2023. For the upcoming Fiscal Year 2023/2024 year-end and going forward, the City will ensure timely reconciliation of the June bank balances.

- While performing audit procedures over cash and investments, it was noted the existence of outstanding checks, listed in the citywide Accounts Payable Check Reconciliation Register that had an open status for over three years. The 12 outstanding checks noted totaled $649, out of $2,107,919 of outstanding checks. As the total amount was low and was not material to the Measure I audit, it was passed on. It is recommended that the City revise its practices with respect to stale checks to ensure they adjust financial records and deliver to the State Controller's Office, as needed.

  Corrective Action: The City agrees with the finding. As of February 2024, the City has reported stale checks that had an open status for over three years to the State Controller's Office.

Morongo Basin Transit Authority (Basin)

- Proper financial statement reporting requires that the balance in the general ledger control account aligns precisely with the balance in its related sub-ledger or roll-forward schedule. This alignment is crucial for ensuring the accuracy and integrity of financial reports. In reviewing the balances of both the Deferred Revenue and Unearned Revenue accounts, a discrepancy was found that the total balance of these general ledger control accounts does not align with the figures in the supporting deferred revenue roll-forward analysis. This discrepancy appears to be due to the omission of the Unearned Revenue account balance from the roll-forward schedule. This discrepancy was discovered while preparing the financial statements for the fiscal year ended June 30, 2023. The supporting roll-forward schedule does not accurately represent the transaction activities within the deferred revenue account. To address this, an adjustment to the roll-forward schedule was made, ensuring that its ending balance aligned accurately with the control balance in the general ledger. This issue stemmed from a change in the presentation approach for the deferred revenue roll-forward schedule recommended by prior auditors leading to a misunderstanding among the staff regarding the accurate presentation of the roll-forward schedule that arose during this transition.

  Corrective Action: Basin staff will undergo educational initiatives to enhance their understanding of unearned revenues and will ensure alignment between the roll-forward schedule and the general ledger balances.

County of San Bernardino (County)

- Standards for the modified accrual recognition of governmental fund revenues require that in order to recognize revenues for an expenditure-driven/reimbursement type grant, the expenditures must have been made and the revenue must be available. Available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. The County's period of availability is 270 days subsequent to the current fiscal year-end. The County reported $263,550 in expenditures within the TDA Article 8 Funds activity during 2023, and received the associated reimbursement from SBCTA in October 2023, which is within the County's availability period. Accordingly, $263,550 in TDA Article 8 revenue were improperly excluded from the June 30, 2023 financial statements. The County did not have a sufficient control in place to ensure reimbursements received within the County's availability period are recorded in the appropriate period within the TDA Funds activity. An audit adjustment of $263,550 was posted to recognize the revenue and associated receivable in the June 30, 2023 TDA Funds activity financial statements. It is recommended that management establish controls to review collections of revenue material to TDA Funds activity subsequent to year-end, but within the period of availability, for proper inclusion in the financial statements.

Corrective Action: The County concurs with the auditor's finding. Although no additional TDA Article 8 revenue is expected in the foreseeable future, the County will update administrative procedures to review collections of revenue related to TDA activities prior to and after year-end.

City of Victorville (City)

- Expenditures charged to the Fund should be supported by a warrant or source document (invoice, requisition, time sheet, equipment rental charge, etc.) clearly identifying the project or other pertinent data to establish a clear audit trail. During the testing over payroll expenditures, the distribution of salaries and wages charged to the TDA Fund were not appropriately supported by personnel activity reports, detailed timesheets, or equivalent documentation. This is a repeated finding from Fiscal Year 2021/2022. The City did not implement any corrective actions in Fiscal Year 2022/2023, as the audit was not complete until May 2023. The City did not maintain source documents used to allocate salaries and benefits to the TDA Fund. The City included costs for payroll related expenditures which were supported by budgeted amounts and not actuals. It is recommended that the City enhance its procedures to ensure that salaries and benefits charged to the TDA Fund are properly supported prior to charging an amount to the fund. This can be achieved through preparing and maintaining the personnel activity reports, detailed timesheets, or equivalent documentation used to allocate time to the TDA Fund in a timely fashion.

  Corrective Action: The City plans to evaluate the current method of estimating the employee's allocation percentage to TDA and Measure I and assess the work performed by each employee to correctly attribute the correct charge to TDA and Measure I. The City plans to accomplish this by meeting with department heads to determine a method of tracking time spent on TDA and Measure I eligible activities to prepare a true-up entry each quarter.

- Management is responsible for ensuring financial activity is recorded accurately and on a timely basis. Bank reconciliations should be performed monthly, reviewed and approved within a month after month-end. While performing audit procedures over cash and investments, it was noted the City's bank reconciliation for June 2023 was not completed until November 2023. The City did not perform a timely bank reconciliation due to the departure of the accountant who prepared the monthly bank reconciliation and other unforeseen technical issues with the City's accounting systems. It is recommended that the City review the timing of its reconciliation procedures.

> Corrective Action: The City is working towards streamlining the bank reconciliation process by implementing new methods of reconciling the different funding sources and cross-training the Finance Technicians and Accountant on the accounting process. With additional help and with streamlining our reports and process, the City believes it will complete bank reconciliation within a month after month-end.

The audits for the Cities of Adelanto, Apple Valley, and Rialto are in process but are not yet complete.

Each agency may have a different number of audit reports depending on the type of funding the agency is receiving. The audits are being provided as an attachment to this item.

Financial Impact:
This item has no financial impact on the adopted Budget for Fiscal Year 2023/2024.

Reviewed By:
This item is not scheduled for review by any other policy committee or technical advisory committee.

Responsible Staff:
Lisa Lazzar, Chief of Fiscal Resources

Approved
Transit Committee
Date: March 14, 2024

Witnessed By:

CITY OF BARSTOW, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

CITY OF BARSTOW, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Fiscal Years Ended June 30, 2023 and 2022

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Conrad

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 8, Section 99400(a) Fund ("TDA Fund") of the City of Barstow, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the City, as of June 30, 2023, and the respective changes in financial position of the TDA Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Fund 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.

Other Matters

Prior Year Comparative Information
The financial statements of the City as of June 30, 2022, were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in its report dated December 28, 2022.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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 December 20, 2023 on our consideration of the City's internal control over financial reporting for the TDA Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Conrad LLP

Lake Forest, California
December 20, 2023

CITY OF BARSTOW, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Comparative Balance Sheets

June 30, 2023 and 2022

	2023	2022
Assets		
Cash and investments (Note 3)	$ 192,991	$ 128,619
Interest receivable	1,165	134
Total assets	$ 194,156	$ 128,753
Liabilities and fund balance		
Accounts Payable	$ -	$ -
Fund balance - restricted	194,156	128,753
Total liabilities and fund balance	$ 194,156	$ 128,753

See accompanying notes to financial statements

CITY OF BARSTOW, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Comparative Statement of Revenues, Expenditures,
and Changes in Fund Balance

Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Revenues:		
TDA Allocation	$ 63,641	$ 58,027
Interest income	1,762	(406)
Total revenues	65,403	57,621
Expenditures:		
Construction, maintenance, and engineering	-	-
Total expenditures	-	-
Excess (deficiency) of revenues over (under) expenditures	65,403	57,621
Fund balance at beginning of year	128,753	71,132
Fund balance at end of year	$ 194,156	$ 128,753

See accompanying notes to financial statements

CITY OF BARSTOW, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(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, Section 99400(a) 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, 2023 and 2022, 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 8a

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 8a 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.

(2) Summary of Significant Accounting Policies

The accounting policies of the TDA Article 8a 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 accounts of the City are organized on the basis of funds and account groups. 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

CITY OF BARSTOW, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(2) Summary of Significant Accounting Policies (Continued)

liabilities, obligations, reserves, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City accounts for the activity of the Article 8a funds in its TDA Fund which is a Special Revenue Fund. Special Revenue Funds are used to account for and report on a particular source of revenue.

Measurement Focus and Basis of Accounting

Special Revenue Funds 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 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 year. Expenditures generally are recorded when a liability is incurred.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 8a possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 8a are recognized in the period when all eligibility requirements have been met.

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.

CITY OF BARSTOW, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(2) Summary of Significant Accounting Policies (Continued)

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.

- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

Use of Estimates

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

CITY OF BARSTOW, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(3) Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The TDA Fund's cash and investments as of June 30, 2023 and 2022 was $192,991 and $128,619, respectively.

The TDA Fund's cash is deposited in the City's internal investment pool which is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the TDA Fund are those of the City and are included in the City's basic financial statements.

See the City's basic financial statements for disclosures related to cash and investments including those disclosures relating to interest rate risk, credit rate risk, custodial credit risk, and concentration risk.

(4) Restrictions

Funds received pursuant to the California Public Utilities Code §99400(a) (TDA Article 8a) may only be used for local streets and roads.

(5) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(6) Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current fiscal year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

Required Supplemental Data

CITY OF BARSTOW, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget			Variance From Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
TDA Allocation	$ -	$ 63,641	$ 63,641	$ -
Interest income	-	-	1,762	1,762
Total revenues	-	63,641	65,403	1,762
Expenditures:				
Construction, maintenance, and engineering	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	63,641	65,403	1,762
Fund balance at beginning of year			128,753	
Fund balance at end of year			$ 194,156	

CITY OF BARSTOW, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2022

	Budget			Variance From Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
TDA allocation	$ -	$ 58,027	$ 58,027	$ -
Interest income	-	-	(406)	(406)
Total revenues	-	58,027	57,621	(406)
Expenditures:				
Construction, maintenance, and engineering	-	-	-	-
Total expenditures	-	-	-	-
Other financing sources (uses):				
Transfers to the City of Barstow (Note 4)	-	(59,905)	-	59,905
Total other financing sources (uses)	-	(59,905)	-	59,905
Net change in fund balance	-	(1,878)	57,621	59,499
Fund balance at beginning of year			71,132	
Fund balance at end of year			$ 128,753	

Conrad

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

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*

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 Transportation Development Act Local Transportation Fund pursuant to Article 8, Section 99400(a) ("TDA Fund") of the City of Barstow, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 20, 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, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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 §6666 of Part 21 of the California Code of Regulations, 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 §6666 of Part 21 of the California Code of Regulations.

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.

Conrad LLP

Lake Forest, California
December 20, 2023

CITY OF BIG BEAR LAKE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2023 and 2022

CITY OF BIG BEAR LAKE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
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Crowe LLP
Independent Member Crowe Global

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, 2023, 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 TDA Fund of the City, as of June 30, 2023, 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.

Other Matter

The financial statements of the TDA Fund of the City for the year ended June 30, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on December 22, 2022.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund, a governmental fund of the City, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023 or the changes in its financial position 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.

(Continued)

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.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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 of the TDA Fund.

Crowe LLP

Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF BIG BEAR LAKE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2023 and 2022

	Article 3	
	2023	2022
ASSETS		
Due from other governments	$ -	$ 175,072
Total assets	$ -	$ 175,072
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other City funds	$ -	$ 175,074
Fund balance (deficit)		
Unassigned	-	(2)
Total liabilities and fund balance	$ -	$ 175,072

See notes to financial statements.

CITY OF BIG BEAR LAKE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022

	Article 3	
	2023	2022
Revenues		
TDA allocation	$ -	$ 867,894
Intergovernmental	-	788,000
Total revenues	-	1,655,894
Expenditures		
TDA expenditures	-	87,000
Revenues over expenditures	-	1,568,894
Other financing sources (uses)		
Transfer from other City funds	2	-
Transfer to other City funds	-	(782,143)
Net change in fund balance	2	786,751
Fund balance (deficit), beginning of year	(2)	(786,753)
Fund balance (deficit), end of year	$ -	$ (2)

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 Big Bear Lake, California (City), as of June 30, 2023 and 2022, 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

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.

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 fiscal period. Expenditures generally are recorded when a liability is incurred.

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 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.

Use of 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.

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 TO OTHER CITY FUNDS

Due to other City funds of $175,074 as of June 30, 2022, represents the amounts paid by other City funds 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 as of June 30, 2022, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BIG BEAR LAKE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 FUND
Year ended June 30, 2023

	Budget			
	Original	Final	Actual	Variance
Revenues				
TDA allocation	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
TDA expenditures	-	-	-	-
Revenues over/(under) expenditures	-	-	-	-
Other financing sources (used)				
Transfers from other City funds	-	-	2	2
Transfers to other City funds	-	-	-	-
Net change in fund balance	-	-	2	2
Fund balance (deficit), beginning of year	-	-	(2)	(2)
Fund balance (deficit), end of year	$ -	$ -	$ -	$ -

(Continued)

CITY OF BIG BEAR LAKE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 FUND
Year ended June 30, 2022

	Budget			
	Original	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 other City funds	(782,143)	(782,143)	(782,143)	-
Net change in fund balance	786,751	786,751	786,751	-
Fund balance, beginning of year	(786,753)	(786,753)	(786,753)	-
Fund balance, end of year	$ (2)	$ (2)	$ (2)	$ -

See note to required supplementary information.

CITY OF BIG BEAR LAKE, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2023 and 2022

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.

Crowe

Crowe LLP
Independent Member Crowe Global

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

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 Transportation Development Act (TDA) Article 3 Fund (TDA Fund) of the City of Big Bear Lake, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements and have issued our report thereon dated December 21, 2023.

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 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. 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.

(Continued)

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.

Crowe LLP

Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY

FINANCIAL STATEMENTS
June 30, 2023 and 2022

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY

FINANCIAL STATEMENTS
June 30, 2023 and 2022

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Crowe LLP
Independent Member Crowe Global

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 (TDA) Article 3 Fund Activity (TDA Fund Activity) of the City of Chino, California (City), as of and for the year ended June 30, 2023, 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 TDA Fund Activity of the City, as of June 30, 2023, 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 audits 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.

Other Matter

The financial statements of the TDA Fund Activity of the City for the year ended June 30, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on February 16, 2023.

Emphasis of Matter

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

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying schedule of allocations received and expended, by project year (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements do not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described 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, 2023, on our consideration of the City’s internal control over financial reporting of the TDA Fund Activity 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 Activity.

Crowe LLP

Crowe LLP

Los Angeles, California
December 20, 2023

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
BALANCE SHEETS
June 30, 2023 and 2022

	Article 3	
	2023	2022
ASSETS		
Due from other governments	$ 486,321	$ 155,951
Total assets	$ 486,321	$ 155,951
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Due to the City of Chino general fund	$ 485,548	$ 155,178
Deferred inflows of resources		
Unavailable revenues	486,321	155,951
Fund balance (deficit)		
Unassigned	(485,548)	(155,178)
Total liabilities, deferred inflows of resources, and fund balance	$ 486,321	$ 155,951

See notes to financial statements.

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022

	Article 3	
	2023	2022
Revenues		
TDA allocation	$ -	$ 81,408
Expenditures		
Capital		
TDA expenditures	330,370	870
Excess (deficiency) of revenues over expenditures	(330,370)	80,538
Other financing sources (uses)		
Transfers from the City of Chino general fund	-	6,718
Net change in fund balance	(330,370)	87,256
Fund balance, beginning of year	(155,178)	(242,434)
Fund balance, end of year	$ (485,548)	$ (155,178)

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 Activity only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Chino, California (City), and the changes in its financial position 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 68.2% of the project costs.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting: The City accounts for the activity of the Article 3 TDA Fund in its Transportation Operations Fund (TDA), 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.

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.

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Article 3 Fund Activity, 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 Hall as on the City's website: www.cityofchino.org.

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 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 Article 3 Fund's investment in the City's investment pool is measured based on inputs that are not defined as Level 1, Level 2, or Level 3 inputs.

Use of 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.

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.

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 in the amount of $486,321 and $155,951 as of June 30, 2023 and 2022, respectively, receivables from SBCTA for reimbursement of eligible TDA expenditures.

NOTE 4 – DUE TO CITY OF CHINO

Due to the City of Chino of $485,548 and $155,178 as of June 30, 2023 and 2022, 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.

(Continued)

NOTE 5 – UNAVAILABLE REVENUE

The deferred inflows of resources - unavailable revenue balance of $486,321 and $155,951 as of June 30, 2023 and 2022, respectively, is related to the revenues earned, but not collected by the City within its period of availability.

NOTE 6 – DEFICIT FUND BALANCE

The TDA Article 3 Fund reported a deficit fund balance of $485,548 and $155,178, as of June 30, 2023, and 2022, 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

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 FUND ACTIVITY
Year ended June 30, 2023

	Budget			
	Original	Final	Actual	Variance
Revenues				
TDA allocation	$ 570,893	$ 570,893	$ -	$ (570,893)
Expenditures				
Capital				
TDA expenditures	330,370	330,370	330,370	-
Excess (deficiency) of revenues over expenditures	240,523	240,523	(330,370)	(570,893)
Net change in fund balance	240,523	240,523	(330,370)	(570,893)
Fund balance, beginning of year	(155,178)	(155,178)	(155,178)	-
Fund balance, end of year	$ 85,345	$ 85,345	$ (485,548)	$ (570,893)

See note to required supplementary information.

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 FUND ACTIVITY
Year ended June 30, 2022

	Budget			
	Original	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, beginning of year	(242,434)	(242,434)	(242,434)	-
Fund balance, end of year	$ (129,958)	$ (42,958)	$ (155,178)	$ (112,220)

See note to required supplementary information.

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2023 and 2022

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 the fund level.

ADDITIONAL INFORMATION

CITY OF CHINO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2022	Expenditures	Unspent Allocations at June 30, 2023
Article 3	Bicycle and Pedestrian Grant - G7802	2017-18	$ 353,081	$ 271,674	$ 271,673	$ 1
Article 3	Transit Improvement Grant - G7803	2017-18	87,000	58,697	58,697	-
			$ 440,081	$ 330,371	330,370	$ 1
Total expenditures					$ 330,370	

Crowe LLP
Independent Member Crowe Global

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*

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 Transportation Development Act Article 3 Fund Activity (TDA Fund Activity) of the City of Chino, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Funds' basic financial statements, and have issued our report thereon dated December 20, 2023.

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 Activity (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. 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.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Fund Activity 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.

Crowe LLP

Crowe LLP

Los Angeles, California
December 20, 2023

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY

FINANCIAL STATEMENT
June 30, 2023

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
FINANCIAL STATEMENTS
June 30, 2023

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Crowe LLP
Independent Member Crowe Global

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 (TDA) Article 3 Fund Activity (TDA Fund Activity) of the City of Chino Hills, California (City), as of and for the year ended June 30, 2023, 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 Activity of the City, as of June 30, 2023, 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 Activity, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, the changes in its financial position for the 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.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying schedule of allocations received and expended, by project year (the "additional information"), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described 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 6, 2023, on our consideration of the City's internal control over financial reporting of the TDA Fund Activity 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 of the TDA Fund Activity.

Crowe LLP

Crowe LLP

Los Angeles, California
December 6, 2023

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
BALANCE SHEETS
June 30, 2023

	Article 3
ASSETS	
Cash and investments	$ -
Total assets	$ -
LIABILITIES AND FUND BALANCE	
Fund Balance	
Restricted for transportation	$ -
Total liabilities and fund balance	$ -

See accompanying notes to financial statements.

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
Year ended June 30, 2023

	Article 3
Revenues	
TDA allocation	$ 249,997
Total revenues	249,997
Expenditures	
TDA expenditures	249,997
Revenues over/(under) expenditures	-
Net change in fund balance	-
Fund balance, beginning of year	-
Fund balance, end of year	$ -

See accompanying 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 Activity only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Chino Hills, California (City) and the changes in its financial position 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 on a reimbursement basis. In accordance with the agreement, the City is required to provide matching funds equal to 27.5% of the project costs. The City satisfied the 27.5% match in the fiscal year by utilizing City funding for 27.5% of the total project costs incurred.

NOTE 2 – SUMMARY OF 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:

Fund Accounting: The City accounts for the activity of the Article 3 TDA Fund in its Miscellaneous 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. The City accounts for the TDA activities in separate general ledger accounts within its Miscellaneous Grants 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.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023, the cash balance of the TDA fund is $0.

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 Level 1, Level 2, or Level 3.

Use of 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.

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.

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 FUND ACTIVITY
Year ended June 30, 2023

	Budget Original	Budget Final	Actual	Variance
Revenues				
TDA allocation	$ 249,997	$ 249,997	$ 249,997	$ -
Expenditures				
TDA expenditures	249,997	249,997	249,997	-
Revenues over/(under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2023

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.

ADDITIONAL INFORMATION

CITY OF CHINO HILLS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2022	Expenditures	Unspent Allocations at June 30, 2023
Article 3	Los Serranos Safe Routes to Schools	2019-20	249,997	249,997	249,997	-
			$ 249,997	$ 249,997	249,997	$ -
			Non TDA - funded expenditures		-	
			Total expenditures		$ 249,997	

Crowe LLP
Independent Member Crowe Global

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*

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 Transportation Development Act (TDA) Article 3 Fund Activity (TDA Fund Activity) of the City of Chino Hills, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund Activity's basic financial statements and have issued our report thereon dated December 6, 2023.

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 Activity (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.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Fund Activity 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.

Crowe LLP

Crowe LLP

Los Angeles, California
December 6, 2023

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2023 and 2022

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2023 and 2022

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CROWE LLP
Independent Member Crowe Global

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 (TDA) Article 3 Fund (TDA Fund) of the City of Fontana, California (City), as of and for the year ended June 30, 2023, 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 TDA Fund of the City, as of June 30, 2023, 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.

Other Matter

The financial statements of the TDA Fund of the City for the year ended June 30, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on March 31, 2023.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, the changes in its financial position for the 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.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying schedule of allocations received and expended, by project year (the "additional information"), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described 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, 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 of the TDA Fund.

Crowe LLP

Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2023 and 2022

	Article 3	
	2023	2022
ASSETS		
Due from other governments	$ 56,290	$ 8,978
Total assets	$ 56,290	$ 8,978
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	$ 523	$ 7,064
Due to other City funds	55,767	1,914
Total liabilities	56,290	8,978
Deferred inflows of resources		
Unavailable revenue	56,290	8,978
Fund balance (deficit)		
Unassigned	(56,290)	(8,978)
Total liabilities, deferred inflows of resources, and fund balance	$ 56,290	$ 8,978

See notes to financial statements.

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022

	Article 3	
	2023	2022
Revenues		
TDA allocation	$ 31,243	$ 83,523
Expenditures		
Capital		
TDA expenditures	78,555	14,924
Revenues over/(under) expenditures	(47,312)	68,599
Net change in fund balance	(47,312)	68,599
Fund balance, beginning of year	(8,978)	(77,577)
Fund balance, end of year	$ (56,290)	$ (8,978)

See notes to financial statements.

NOTE 1 – GENERAL INFORMATION

Reporting Entity: 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 Fontana, California (City) as of June 30, 2023, 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% to 50% of the project costs. The City satisfied its required match during the fiscal year.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting: The City accounts for the activity of the Article 3 TDA Fund in its 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. 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.

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fiscal period. Expenditures generally are recorded when a liability is incurred.

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 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 based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

Use of 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.

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.

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 $56,290 and $8,978 represents the TDA allocations which had not been received from SBCTA as of June 30, 2023 and 2022, respectively.

(Continued)

NOTE 4 – DUE TO OTHER CITY FUNDS

Due to other City funds of $55,767 and $1,914 represents the amounts paid by the City general fund on behalf of the TDA Fund as of June 30, 2023 and 2022, 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 $56,290 and $8,978 as of June 30, 2023 and 2022, 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 from SBCTA.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – TDA ARTICLE 3 FUND
Year ended June 30, 2023

	Budget			Variance From Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
TDA allocation	$ -	$ 343,456	$ 31,243	$ (312,213)
Expenditures				
Capital				
TDA expenditures	-	337,673	78,555	259,118
Net change in fund balance	-	5,783	(47,312)	(53,095)
Fund balance, beginning of year	(8,978)	(8,978)	(8,978)	-
Fund balance, end of year	$ (8,978)	$ (3,195)	$ (56,290)	$ (53,095)

See note to required supplementary information.

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – TDA ARTICLE 3 FUND
Year ended June 30, 2022

	Budget			Variance From Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
TDA allocation	$ -	$ 345,973	$ 83,523	$ (262,450)
Expenditures				
Capital				
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

See note to required supplementary information.

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2023 and 2022

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 the fund level.

ADDITIONAL INFORMATION

CITY OF FONTANA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2022	Expenditures	Unspent Allocations at June 30, 2023
Article 3	Alder Middle Schools SRTS Projects	2017-18	250,000	158,275	29,328	128,947
Article 3	Kathy Binks Elem. Sch. SRTS TDA 21	2021-22	160,000	152,936	18,035	134,901
Article 3	Transit Stops Improvements TDA 2021	2021-22	37,580	37,580	31,192	6,388
			$ 447,580	$ 348,791	$ 78,555	$ 270,236

CROWE LLP
Independent Member Crowe Global

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*

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 Transportation Development Act (TDA) Article 3 Fund (TDA Fund) of the City of Fontana, California (City), as of June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements and have issued our report thereon dated December 21, 2023.

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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weakness or significant deficiencies may exist that were not identified. 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.

(Continued)

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.

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.

Crowe LLP

Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2023 and 2022

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2023 and 2022

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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 (TDA) Article 8 Fund (TDA Fund) of the City of Hesperia, California (City), as of and for the year ended June 30, 2023, 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 TDA Fund of the City, as of June 30, 2023, 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.

Other Matter

The financial statements of the TDA Fund of the City for the year ended June 30, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on December 21, 2022.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund, a governmental fund of the City, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023 or the changes in its financial position 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.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying schedule of allocations received and expended, by project year (the "additional information"), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described 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, 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 of the TDA Fund.

Crowe LLP

Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2023 and 2022

	Article 8	
	2023	2022
ASSETS		
Cash and investments	$ 2,831,684	$ 2,239,328
Interest receivable	20,711	3,965
Total assets	$ 2,852,395	$ 2,243,293
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 717,719	$ 1,147
Retention payable	36,097	-
Total liabilities	753,816	1,147
Fund balance		
Restricted for transportation	2,098,579	2,242,146
Total liabilities and fund balance	$ 2,852,395	$ 2,243,293

See notes to financial statements.

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Years ended June 30, 2023 and 2022

	Article 8	
	2023	2022
Revenues		
TDA allocation	$ 872,556	$ 82,465
Interest income	60,123	8,124
Loss on fair market value	(11,750)	(28,468)
Total revenues	920,929	62,121
Expenditures		
Current		
TDA expenditures	1,064,496	5,598
Revenues over/(under) expenditures	(143,567)	56,523
Other financing sources (uses)		
Transfers to other City funds	-	(45,222)
Net change in fund balance	(143,567)	11,301
Fund balance, beginning of year	2,242,146	2,230,845
Fund balance, end of year	$ 2,098,579	$ 2,242,146

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 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) and the changes in its financial position 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:

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 90 days of the end of the fiscal period. In the fiscal year ended June 30, 2022, the City considered revenues measurable and available if collected within 60 days after the end of the fiscal period. Expenditures generally are recorded when a liability is incurred.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Use of 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 OTHER CITY FUNDS

Transfers to the other City funds 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 – CHANGE IN ACCOUNTING POLICY

The City reassessed the revenue availability criterion in fiscal year 2023 and determined that revenues collected within 90 days of the fiscal year end is a more accurate representation of when revenues are available to pay liabilities of the current period. This is changed from the fiscal year 2022 accounting policy in which revenues were determined to be available if collected within 60 days of fiscal year end. This change had no impact on the 2023 beginning fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 8 FUND
Year ended June 30, 2023

	Budget			Variance from Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
TDA allocation	$ 871,265	$ 871,265	$ 872,556	$ 1,291
Interest income	6,137	6,137	60,123	53,986
Loss on fair market value	-	-	(11,750)	(11,750)
Total revenues	877,402	877,402	920,929	43,527
Expenditures				
Current				
TDA expenditures	248,000	1,195,745	1,064,496	131,249
Revenues over (under) expenditures	629,402	(318,343)	(143,567)	174,776
Net change in fund balance	629,402	(318,343)	(143,567)	174,776
Fund balance, beginning of year	2,242,146	2,242,146	2,242,146	-
Fund balance, end of year	$ 2,871,548	$ 1,923,803	$ 2,098,579	$ 174,776

See note to required supplementary information.

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – TDA ARTICLE 8 FUND
Year ended 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 market 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)

See note to required supplementary information.

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2023 and 2022

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. The TDA Fund total expenditures were within expenditure budget authority for the year ended June 30, 2023.

ADDITIONAL INFORMATION

CITY OF HESPERIA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2022	Expenditures	Unspent Allocations at June 30, 2023
Article 8	Street & Roadside Maintenance	2022-23	$ 872,556	$ -	$ -	$ 872,556
Article 8	Street & Roadside Maintenance	2021-22	82,465	82,465	-	82,465
Article 8	Street & Roadside Maintenance	2020-21	541,581	541,581	-	541,581
Article 8	Street & Roadside Maintenance	2019-20	807,864	807,864	450,224	357,640
Article 8	Street & Roadside Maintenance	2018-19	2,281,415	614,272	614,272	-
Article 8 total			$ 4,585,881	$ 2,046,182	$ 1,064,496	$ 1,854,242

Crowe

CROWE LLP
Independent Member Crowe Global

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*

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 Transportation Development Act (TDA) Article 8 Fund (TDA Fund) of the City of Hesperia, California (City), as of and for the years ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements, and have issued our report thereon dated December 21, 2023.

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 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. 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.

(Continued)

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.

Crowe LLP

Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Fiscal Years Ended June 30, 2023 and 2022

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Conrad

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund ("TDA Fund") of the City of Highland, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the City, as of June 30, 2023, and the respective changes in financial position of the TDA Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Fund 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.

Other Matters

Prior Year Comparative Information
The financial statements of the City as of June 30, 2022, were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in its report dated December 21, 2022.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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.

Supplementary 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* 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 October 30, 2023 on our consideration of the City's internal control over financial reporting for the TDA Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Conrad LLP

Lake Forest, California
October 30, 2023

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Comparative Balance Sheets

June 30, 2023 and 2022

	2023	2022
Assets		
Cash and investments (Note 3)	$ -	$ -
Due from other governments (Note 4)	221,003	92,655
Total assets	$ 221,003	$ 92,655
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Accounts payable	$ 82,637	$ 7,066
Due to the City of Highland (Note 5)	138,366	85,589
Total liabilities	221,003	92,655
Deferred inflows of resources		
Unavailable revenue (Note 4)	221,003	83,030
Fund balance (deficit)		
Unassigned (Note 6)	(221,003)	(83,030)
Total liabilities and fund balance	$ 221,003	$ 92,655

See accompanying notes to financial statements

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Comparative Statement of Revenues, Expenditures,
and Changes in Fund Balance

Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Revenues:		
TDA Article 3 funds	$ 55,981	$ 37,087
Total revenues	55,981	37,087
Expenditures:		
Construction, maintenance, and engineering	193,954	45,551
Total expenditures	193,954	45,551
Excess (deficiency) of revenues over (under) expenditures	(137,973)	(8,464)
Fund balance (deficit) at beginning of year	(83,030)	(74,566)
Fund balance (deficit) at end of year	$ (221,003)	$ (83,030)

See accompanying notes to financial statements

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(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, 2023 and 2022, 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.

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(2) Summary of 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:

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. 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, reserves, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City accounts for the activity of the Article 3 funds in its TDA Fund which is a Special Revenue Fund. Special Revenue Funds are used to account for and report on a particular source of revenue.

Measurement Focus and Basis of Accounting

Special Revenue Funds 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 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 year. Expenditures generally are recorded when a liability is incurred.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 3 are recognized in the period when all eligibility requirements have been met.

A deferred inflow of resources arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Deferred inflows of resources also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred inflow of resources is removed from the balance sheet, and revenue is recognized.

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(2) Summary of Significant Accounting Policies (Continued)

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.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – Amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; such as, inventories and prepaid amounts.

- *Restricted Fund Balance* – Amounts that are restricted for specific purposes by external resource providers, constitutionally, through enabling legislation, or restrictions may effectively be changed or lifted only with the consent of resource providers.

- *Committed Fund Balance* – Amounts that can only be used for the specific purposes determined by a formal adopted resolution of the City Council. Commitments may be changed or lifted only by a formal adopted resolution of the City Council.

- *Assigned Fund Balance* – Amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council to which the assigned amounts are to be used for specific purposes; such as, continued capital projects, capital improvement plan, and budget. The City Council did not delegate another body to assign fund balances.

  Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund that are not classified as nonspendable, restricted, or committed.

- *Unassigned Fund Balance* – Residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts also include any residual negative amounts in governmental funds.

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(2) Summary of Significant Accounting Policies (Continued)

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

Use of Estimates

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

(3) Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The TDA Fund's cash and investments as of June 30, 2023 and 2022 was $0.

The TDA Fund's cash is deposited in the City's internal investment pool which is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the TDA Fund are those of the City and are included in the City's basic financial statements.

See the City's basic financial statements for disclosures related to cash and investments including those disclosures relating to interest rate risk, credit rate risk, custodial credit risk, and concentration risk.

(4) Due from Other Governments

Due from Other Governments of $221,003 and $92,655 represents the TDA allocations which had not been received from SBCTA as of June 30, 2023 and 2022, respectively. The amounts of $221,003 and $83,030 were also included in unavailable revenue as of June 30, 2023 and 2022, respectively, as the funds were received outside of the City's period of availability.

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(5) Due to the City of Highland

Due to the City of Highland of $138,366 and $85,589 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, 2023 and 2022, respectively.

(6) Fund Balance

The TDA Fund reported a deficit fund balance of $221,003 and $83,030 as of June 30, 2023 and 2022, respectively. 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 SBTCA.

(7) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety education programs.

(8) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(9) Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current fiscal year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

Required Supplemental Data

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget			Variance From Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
TDA Article 3 funds	$ 28,000	$ 28,000	$ 55,981	$ 27,981
Total revenues	28,000	28,000	55,981	27,981
Expenditures:				
Construction, maintenance, and engineering	28,000	221,000	193,954	27,046
Total expenditures	28,000	221,000	193,954	27,046
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (193,000)	(137,973)	$ 55,027
Fund balance (deficit) at beginning of year			(83,030)	
Fund balance (deficit) at end of year			$ (221,003)	

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2022

	Budget			Variance From Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
TDA Allocation	$ 286,000	$ 286,000	$ 37,087	$ (248,913)
Total revenues	286,000	286,000	37,087	(248,913)
Expenditures:				
Construction, maintenance, and engineering	286,000	286,000	45,551	240,449
Total expenditures	286,000	286,000	45,551	240,449
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	(8,464)	$ (8,464)
Fund balance (deficit) at beginning of year			(74,566)	
Fund balance (deficit) at end of year			$ (83,030)	

Supplemental Data

CITY OF HIGHLAND, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Allocations Received and Expended, by Project Year

Fiscal Year Ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocation at 6/30/2022	Expenditures	Unspent Allocation at 6/30/2023
Article 3	City Creek/Alabama Street Bikeways STR17-001	2017/2018	$ 371,546	$ 104,455	$ 104,455	$ -
Article 3	9th St Transit Stops, Sidewalk, And Bikeway Improvements SWK19-001	2019/2020	67,436	26,529	-	26,529
Article 3	Base Line/Boulder Ave/9th/Olive Tree Land (Transit Access) SWK19-002	2019/2020	53,897	44,272	23,239	21,033
Article 3	Construction of New Sidewalks to Bus Stops Messina Street/Seine Avenue Sidewalk Gap SWK21-001	2020/2021	77,989	71,854	66,260	5,594
			$ 570,868	$ 247,110	$ 193,954	$ 53,156

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
City Creek/Alabama Street Bikeways STR17-001	$ 111,686
Base Line/Boulder Ave/9th/Olive Tree Land (Transit Access) SWK19-002	34,828
Construction of New Sidewalks to Bus Stops Messina Street/Seine Avenue Sidewalk Gap SWK21-001	53,389
	$ 199,903

Conrad

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

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*

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 Transportation Development Act Local Transportation Fund pursuant to Article 3 ("TDA Fund") of the City of Highland, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 §6666 of Part 21 of the California Code of Regulations, 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 §6666 of Part 21 of the California Code of Regulations.

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.

Conrad LLP

Lake Forest, California
October 30, 2023

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Fiscal Years Ended June 30, 2023 and 2022

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Conrad

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund ("TDA Fund") of the City of Loma Linda, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the City, as of June 30, 2023, and the respective changes in financial position of the TDA Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Fund 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 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.

Supplementary 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* 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 18, 2023 on our consideration of the City's internal control over financial reporting for the TDA Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Conrad LLP

Lake Forest, California
December 18, 2023

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Comparative Balance Sheets

June 30, 2023 and 2022

	2023	2022
Assets		
Cash and investments (Note 3)	$ -	$ -
Total assets	$ -	$ -
Liabilities and Fund Balance		
Liabilities		
Due to the City of Loma Linda (Note 4)	$ -	$ 29,151
Total liabilities	-	29,151
Fund balance (deficit) - restricted		
Restricted (Note 5)	-	(29,151)
Total liabilities and fund balance	$ -	$ -

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Comparative Statement of Revenues, Expenditures,
and Changes in Fund Balance

Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Revenues:		
TDA Article 3 funds	$ 29,151	$ -
Total revenues	29,151	-
Expenditures:		
Construction, maintenance, and engineering (Note 6)	-	-
Total expenditures	-	-
Excess (deficiency) of revenues over (under) expenditures	29,151	-
Fund (deficit) balances at beginning of year	(29,151)	(29,151)
Fund (deficit) balances at end of year	$ -	$ (29,151)

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(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 Loma Linda, California (City), as of June 30, 2023 and 2022, and changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Article 3

The City has entered into a Cooperative Agreement (TDA 3 Agreement) with San Bernardino County Transportation Authority (SBCTA) to enhance bicycle and pedestrian facilities in accordance with Section 99234 of the California Public Utilities Code (Code). According to the Code, TDA Article 3 monies may only be used for facilities provided for the exclusive use of pedestrians and bicycles, including the construction and related engineering expenditures of those facilities, the maintenance of bicycle trails (that are closed to motorized traffic) and bicycle safety education programs. TDA Article 3 Funds may also be used for transportation-related projects that enhance quality of life through the design of pedestrian walkways and bicycle facilities. TDA Article 3 projects may be stand-alone projects, such as projects that serve the needs of commuting bicyclists, including, but not limited to, new trails serving major transportation corridors, secure bicycle parking at employment centers, park and ride lots and transit terminals where other funds are available. TDA Article 3 projects may also be add-ons to normal transportation projects, such as additional sidewalk and bike lanes on a bridge, enhanced pedestrian lighting, and median refuge islands for pedestrians.

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

(2) Summary of 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:

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. 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, reserves, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City accounts for the activity of the Article 3 funds in its TDA Fund which is a Special Revenue Fund. Special Revenue Funds are used to account for and report on a particular source of revenue.

Measurement Focus and Basis of Accounting

Special Revenue Funds 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 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 year. Expenditures generally are recorded when a liability is incurred.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 3 are recognized in the period when all eligibility requirements have been met.

A deferred inflow of resources arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Deferred inflows of resources also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred inflow of resources is removed from the balance sheet, and revenue is recognized.

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(2) Summary of Significant Accounting Policies (Continued)

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

Use of Estimates

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

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(3) Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The TDA Fund's cash and investments as of June 30, 2023 and 2022 was $0.

The TDA Fund's cash is deposited in the City's internal investment pool which is reported at fair value. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the TDA Fund are those of the City and are included in the City's basic financial statements.

See the City's basic financial statements for disclosures related to cash and investments including those disclosures relating to interest rate risk, credit rate risk, custodial credit risk, and concentration risk.

(4) Due to the City of Loma Linda

Due to the City of Loma Linda of $0 and $29,151 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, 2023 and 2022, respectively.

(5) Deficit Fund Balance

The TDA Fund reported a deficit fund balance of $29,151 as of June 30, 2022. 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 was be paid by fiscal year 2023 Article 3 revenues from SBTCA.

(6) Project Expenditure

The City incurred expenditure in the amount of $29,151 on the Accessibility Improvements at Barton and California – east bound and west bound project (Bus Shelter on Barton Road) in fiscal year 2020 pursuant to the SBCTA grant letter dated July 15, 2019. However, the City did not file the claim with SBCTA until January 2023.

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(7) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety education programs.

(8) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(9) Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current fiscal year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

Required Supplemental Data

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget			Variance From Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
TDA Article 3 funds	$ -	$ -	$ 29,151	$ 29,151
Total revenues	-	-	29,151	29,151
Expenditures:				
Construction, maintenance, and engineering	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	29,151	29,151
Fund (deficit) balance at beginning of year			(29,151)	
Fund balance at end of year			$ (29,151)	

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2022

	Budget			Variance From Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
TDA Article 3 funds	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
Expenditures:				
Construction, maintenance, and engineering	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance at beginning of year			(29,151)	
Fund balance at end of year			$ (29,151)	

Supplemental Data

CITY OF LOMA LINDA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Allocations Received and Expended, by Project Year

Fiscal Year Ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocation at 6/30/2022	Expenditures	Unspent Allocation at 6/30/2023
Article 3	Bus Shelter on Barton Road	2020	$ 31,497	$ 2,346	$ -	$ 2,346
			$ 31,497	$ 2,346	$ -	$ 2,346

Match Requirements:

This project requires a local match. The City has utilized other sources for the match. The funding for the match amounts are

Projects	Amounts
Bus Shelter on Barton Road	$ 7,288

Conrad

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

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*

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 Transportation Development Act Local Transportation Fund pursuant to Article 3 ("TDA Fund") of the City of Loma Linda, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 18, 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, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure I Fund of the City are free from material misstatement, we performed tests of its compliance with requirements described in Measure I Ordinance (the “Ordinance”) as specified in the agreement between the City and San Bernardino County Transportation Authority (“SBCTA”) and 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, including the requirements of the Ordinance as specified in the agreement between the City and SBCTA.

Purpose of This Report

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

Conrad LLP

Lake Forest, California
December 18, 2023

Conrad

December 21, 2023

Mr. T. Jarb Thaipejr
City of Loma Linda
25541 Barton Road
Loma Linda, CA92354

We have audited the financial statements of the Transportation Development Act Article 3 (TDA 3) Fund and Measure I (MSI) Fund (collectively "Program Funds"), of the City of Loma Linda ("City"), as of and for the year ended June 30, 2023, and have issued our report thereon dated December 18, 2023 and December 21, 2023, respectively. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, certain provisions of laws, regulations, contracts, and grant agreements, including §6666 of Part 21 of the California Code of Regulations, as well as certain information related to the planned scope and timing of our audit. Professional standards also require we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City Program Funds are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. There were no significant estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letters for the TDA 3 and the MSI Funds dated December 18, 2023 and December 21, 2023, respectively.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Program Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Deficiency #1: During procedures over cash and investments, we noted the City's bank reconciliation for June 2023 was not prepared until September 2023. 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. The City stated that June 2023 bank reconciliation was not completed timely due to final journal entries that affect cash balance would not be finalized until end of August 2023

Recommendation: We recommend that the City review the timing of its reconciliation procedures.

Deficiency #2: During procedures over cash and investments, we noted the existence of outstanding checks, listed in the citywide Accounts Payable Check Reconciliation Register, that had an open status for over three years. The twelve outstanding checks we noted totaled $649, out of $2,107,919 of outstanding checks. As the total amount was low was not material to the Measure I audit, it was passed on.

Recommendation: We recommend the City revise its practices with respect to stale checks to ensure they adjust financial records and deliver to the State Controller's Office, as needed.

Restriction on Use

This information is intended solely for the use of those charged with governance and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Best regards,

Conrad LLP

Lake Forest, CA
December 21, 2023

City of Loma Linda

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Sister Cities: Manipal, Karnataka, India - Libertadore, San Martin, Argentina, Puntarenas, Costa Rica • www lomalinda-ca.gov

February 15, 2024

Board of Directors
San Bernardino County Transportation Authority
San Bernardino, CA

In connection with the City of Loma Linda's Measure I (MSI) and Transportation Development Act Article 3 (TDA 3) audit for the year ended June 30, 2023, City management respectfully submits this letter as a response to the deficiencies noted by the auditors, Conrad LLP, as reported on the Loma Linda MSI and TDA Management Letter FY 2023 (Management Letter) dated December 21, 2023.

The following is a response to the findings in the management letter. The deficiency comments were extracted from the letter and followed by our response.

Deficiency #1: During procedures over cash and investments, we noted the City's bank reconciliation for June 2023 was not prepared until September 2023. 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. The City stated that June 2023 bank reconciliation was not completed timely due to final journal entries that affect cash balance would not be finalized until end of August 2023

Recommendation: We recommend that the City review the timing of its reconciliation procedures.

City of Loma Linda Management Response:
Agree with finding. The City's bank reconciliation process schedule begins right after the end of the previous month. For the June 2023 year-end, due to certain allocation journal entries and year-end accruals that affect cash balance by fund, the bank reconciliation process was not finalized until all year-end closing adjustments were posted which occurred towards the end of August 2023. For the upcoming 2023-2024 year-end and going forward, the City will ensure timely reconciliation of June bank balances.

Deficiency #2: During procedures over cash and investments, we noted the existence of outstanding checks, listed in the citywide Accounts Payable Check Reconciliation Register, that had an open status for over three years. The twelve outstanding checks we noted totaled $649, out of $2,107,919 of outstanding checks. As the total amount was low was not material to the Measure I audit, it was passed on.

Recommendation: We recommend the City revise its practices with respect to stale checks to ensure they adjust financial records and deliver to the State Controller's Office, as needed.

City of Loma Linda Management Response:

Agree with finding. As of February 2024, the City has reported stale checks that had an open status for over three years to the State Controller's Office.

Respectfully,

T. Jarb Thaipejr

City Manager

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

June 30, 2023

BCAWR
Certified Public Accountants & Advisors

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MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY

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Certified Public Accountants & Advisors

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Independent Auditor's Report

The Board of Directors
Mountain Area Regional Transit Authority
Big Bear, 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, 2023, and the related notes to the financial statements, which collectively comprise 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 financial position of MARTA, as of June 30, 2023, and the changes in the financial position, and cash flows thereof for the year then ended in accordance with the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 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 Government 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 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 20, 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, 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.

BCA Watson Ricè, LLP

Torrance, California
December 20, 2023

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY

Statement of Net Position

June 30, 2023

Assets	
Current Assets	
Cash and cash equivalents	$ 1,812,205
Restricted cash and cash equivalents	358,560
Accounts receivable	25,512
Operating grants receivable	633,483
Capital grants receivable	595,438
Prepaid expenses	20,495
Total current assets	3,445,693
Noncurrent Assets	
Capital assets, net of accumulated depreciation	7,814,617
Right-to-use leased assets, net of accumulated amortization	23,029
Total noncurrent assets	7,837,646
Total assets	11,283,339
Liabilities	
Current Liabilities	
Accounts payable	493,351
Accrued liabilities	433,529
Leases	6,094
Compensated absences	55,588
Unearned revenue	367,046
Total current liabilities	1,355,608
Noncurrent Liabilities	
Leases	17,473
Compensated absences	55,589
Total noncurrent liabilities	73,062
Total liabilities	1,428,670
Net Position	
Net investment in capital assets	7,814,617
Unrestricted	2,040,052
Total net position	9,854,669

See Notes to Financial Statements.

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

Operating Revenues	
Fares	$ 1,612,546
Operating Expenses	
Operations	3,259,054
Maintenance	1,214,233
General and administration	2,286,194
Depreciation and amortization expense	735,985
Total operating expenses	7,495,466
Operating income (loss)	(5,882,920)
Non-Operating Revenues and Expenses	
Operating assistance	
Federal transit administration section 5311	633,483
Local transportation fund article 4	4,432,084
Measure I	127,051
Interest income	657
Interest expense	(783)
Reimbursements	5,875
Gain on disposal of assets	33,369
Interest-lease	(789)
Other	7,629
Total non-operating revenue (expenses)	5,238,576
Income (Loss) Before Capital Contributions	(644,344)
Capital Contributions	
Congestion Mitigation and Air Quality	560,000
PTMISEA**	93,458
State Transportation Fund	1,804,625
Local Transportation Fund	260,905
Low Carbon Transit Program	106,406
County/Local	86,282
Total capital contributions	2,911,676
Change in Net Position	2,267,332
Net Position, Beginning of Year	7,587,337
Net Position, End of Year	$ 9,854,669

See Notes to Financial Statements.

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2023

Operating Activities	
Cash received from fares	$ 1,615,313
Cash received from other income	7,682
Payments to employees	(4,435,966)
Payments to vendors for services	(1,601,390)
Net Cash Used in Operating Activities	(4,414,361)
Non-Capital Financing Activities	
Operating grants received	5,089,065
Net Cash Provided by Non-Capital Financing Activities	5,089,065
Capital and Financing Activities	
Capital grants received	2,373,356
Purchase of capital assets	(2,969,461)
Sale of capital assets	33,369
Cash paid for lease liabilities - principal portion	(6,094)
cash paid for lease liabilities - interest portion	(789)
Net Cash Used in Capital and Financing Activities	(569,619)
Investing Activities	
Investment income	657
Interest expense	(783)
Bank reimbursements	5,875
Net Cash Provided by Investing Activities	5,749
Net Increase in Cash and Cash Equivalents	110,834
Cash and Cash Equivalents, Beginning of Year	2,059,931
Cash and Cash Equivalents, End of Year	$ 2,170,765

See Notes to Financial Statements

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2023

Reconciliation of Operating Loss to Net Cash used in Operating Activities	
Operating income (loss)	$ (5,882,920)
Adjustments to Reconcile Operating (Loss) to Net Cash used in Operating Activities	
Depreciation expense and amortization	735,985
Miscellaneous revenues	7,682
Changes in Assets and Liabilities	
(Increase) decrease in assets	
Accounts receivable	2,767
Prepaid expenses	27,503
Increase (decrease) in liabilities	
Accounts payable	343,726
Accrued liabilities	337,581
Compensated absences	13,315
Total adjustments	1,468,559
Net Cash used in Operating Activities	$ (4,414,361)
Non-cash investing, capital, and financing activities:	$ -

See Notes to Financial Statements.

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, 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 include 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 the 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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 the 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 leased asset into service. Right-to-use leased assets are amortized over the shorter of lease term duration or useful life 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 employees 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 Liability – 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 is 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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. 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 implemented the new reporting requirement in fiscal year 2023 and there is no 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. MARTA implemented the new reporting requirement in fiscal year 2023 and there is no effect on the financial statements.

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 implemented the new reporting requirement in fiscal year 2023 and there is no effect on the financial statements.

Effective in Future Fiscal Years

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 the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to the 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

Governmental Accounting Standards Board (GASB) Pronouncements (Continued)

Effective in Future Fiscal Years (Continued)

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 $633,483.

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.

Note 3 – Federal, State, and Local Grants (Continued)

Transportation Development Act (Continued)

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

	Operating Funds	Capital Funds	Total
Beginning balance, July 1, 2022	$ -	$ 388,518	$ 388,518
Gross receipts			
State Transportation Fund, Article 4	-	1,804,625	1,804,625
Local Transportation Fund, Article 4	4,396,933	296,925	4,693,858
Federal Transportation Admin, Section 5311	633,483	560,000	1,193,483
Measure I	127,051	-	127,051
Interest income	-	194	194
Fares	1,612,546	-	1,612,546
LCTOP	-	134,060	134,060
State of good repair	-	87,135	87,135
Other	-	69,876	69,876
Total gross receipts	6,770,013	2,952,815	9,722,828
Operating expenses, less depreciation	(6,759,006)	(475)	(6,759,481)
Capital acquisitions	(2,495)	(2,982,324)	(2,984,819)
Receipts over (under) expenses in current period	8,512	(29,984)	(21,472)
Unearned at June 30, 2023	$ 8,512	$ 358,534	$ 367,046

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, 2023 is calculated as follows:

Operating expenses	$ 7,496,249
Less depreciation	(735,985)
Adjusted operating expenses	$ 6,760,264
Fare revenue	$ 1,612,546
Fare ratio	23.85%

Note 3 – Federal, State, and Local Grants (Continued)

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 (Prop 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, 2022	$	93,458
Funds expended during fiscal year		(93,458)
Unearned Prop 1B Balance, June 30, 2023	$	-

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, 2023 was $177,322.

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, 2023 was $181,238.

Note 4 – Cash and Cash Equivalents

Deposits as of June 30, 2023 consist of the following:

Demand accounts	$	2,170,318
Undeposited funds		447
Total	$	2,170,765

Note 4 – Cash and Cash Equivalents (Continued)

Policies and Practices

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

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, MARTA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. MARTA does not have a policy of custodial credit risk for deposits. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

As of June 30, 2023, $1,170,790 of MARTA's deposits with financial institutions in excess of federal depository insurance limits were 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, 2023 is as follows:

	Beginning Balance July 1, 2023	Additions	Retirements	Ending Balance June 30, 2023
Nondepreciable assets				
Land	$ 542,457	$ -	$ -	$ 542,457
Construction in progress	2,356,765	2,800,848	(206,074)	4,951,539
Total nondepreciable assets	2,899,222	2,800,848	(206,074)	5,493,996
Depreciable assets				
Buildings and improvements	2,227,420	3,400	(2,350)	2,228,470
Passenger facilities	732,201	203,350	-	935,551
Shop, office, and other equipment	5,710,484	183,294	(745,825)	5,147,953
Total depreciable assets	8,670,105	390,044	(748,175)	8,311,974
Accumulated depreciation				
Buildings and improvements	(1,826,059)	(61,432)	2,210	(1,885,281)
Passenger facilities	(159,725)	(72,116)	-	(231,841)
Shop, office, and other equipment	(4,008,785)	(595,999)	730,553	(3,874,231)
Total accumulated depreciation	(5,994,569)	(729,547)	732,763	(5,991,353)
Capital assets, net	5,574,758	2,461,345	(221,486)	7,814,617
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)	(6,436)	-	(9,153)
Net right-to-use leased assets	29,465	(6,436)	-	23,029
Total capital assets, net	$ 5,604,223	$ 2,454,909	$ (221,486)	$ 7,837,646

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 $9,153 as of June 30, 2023, respectively.

Note 7 – Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amount Due in One Year
Compensated absences	$ 97,862	$ 62,246	$ (48,931)	$ 111,177	$ 55,588
Leases	29,661	-	(6,094)	23,567	6,094
	$ 127,523	$ 62,246	$ (55,025)	$ 134,744	$ 61,682

The remaining principal and interest payments on the leases are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	$ 6,333	$ 604	$ 6,937
2025	6,524	414	6,938
2026	6,720	216	6,936
2027	3,990	11	4,001
Total	$ 23,567	$ 1,245	$ 24,812

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 the 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, 2023, the retrospective adjustment calculation resulted in a cumulative payable of $3,700 to be applied in fiscal year 2023. 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.

Note 8 – Risk Management (Continued)

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. Additional 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 2022-23 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 $1,973,605. 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 $643,005. 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 $53,861 during the fiscal year ended June 30, 2023.

Note 11 – Line of Credit

MARTA has an unsecured line of credit with First Foundation Bank. As of June 30, 2023, the amount available on the line credit was $250,000. The line of credit has a maturity date of April 5, 2023. Upon drawing on the line of credit, MARTA will pay regular monthly payments of all accrued interest. The interest rate is variable at 5.50 percent as of June 30, 2023. No amounts were outstanding on the line of credit as of June 30, 2023, and MARTA did not make any withdrawals on the line of credit during the fiscal year.

Note 12 – Subsequent Events

In preparing the financial statements, MARTA has evaluated events and transactions for potential recognition or disclosure through December 20, 2023, the date the financial statements were available to be issued. No subsequent events occurred that require recognition or additional disclosure in the Financial Statements.

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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

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 Mountain Area Regional Transit Authority (MARTA) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the MARTA's basic financial statements and have issued our report thereon dated December 20, 2023.

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 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 MARTA's internal control. Accordingly, we do not express an opinion on the effectiveness of MARTA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

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

BCA Watson Rice, LLP

Torrance, California
December 20, 2023

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Current Year Findings and Questioned Costs
For the Year Ended June 30, 2023

There are no current year findings.

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Status of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 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 the 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.

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Status of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2023

Views of Responsible Official and Planned Corrective Actions:
Management agrees. See the separately issued Corrective Action Plan.

Current Year Status:
All of the issues mentioned above were addressed and resolved during the fiscal year 2022-2023. We have not identified any adjustments needed during our audit.

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Status of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2023

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 the payroll process. In addition, there were two (2) instances in which we noted a variance between the payroll register and daily time sheets due to data entry errors.

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 its payroll policy and procedures to ensure that all timesheets are approved and all timecard elements are accurate prior to being processed.

Views of Responsible Official and Planned Corrective Actions:
Management agrees. See the separately issued Corrective Action Plan.

Current Year Status:
All of the issues mentioned above were addressed and resolved during the fiscal year 2022-2023. We have not identified any adjustments needed during our audit.

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December 20, 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, 2023, and have issued our report thereon dated December 20, 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 at our entrance meeting on October 4, 2023, 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 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.

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. 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. 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.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to MARTA's financial statements taken as a whole.

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 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 20, 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 Audit 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 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 MARTA's auditors.

Restriction on Use

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 intended to be, and should not be, used by anyone other than these specified parties.

BCA Watson Rice, LLP

Torrance, California

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY

FEDERAL AWARDS REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

For the Year Ended June 30, 2023

BCAWR
Certified Public Accountants & Advisors
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MOUNTAIN AREA REGIONAL 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*, the Transportation Development Act, and California Government Code §8879.50

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mountain Area Regional Transit Authority (MARTA) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the MARTA's basic financial statements and have issued our report thereon dated December 20, 2023.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MARTA's internal control. Accordingly, we do not express an opinion on the effectiveness of MARTA's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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, including Section 6667 of Title 21 of the California Code of Regulations and the allocation instructions of San Bernardino County Transportation Authority (SBCTA), and California Government Code §8879.50 et. seq., noncompliance with which could have a direct and material effect on the financial 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 6667 of Title 21 of the California Code of Regulations, or the California Government Code §8879.50 et. seq., and the allocation instructions of SBCTA.

Purpose of this Report

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

BCA Watson Rice, LLP

Torrance, California
February 22, 2024

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Independent Auditor's Report on Compliance for Each Major 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
Mountain Area Regional Transit Authority
Big Bear Lake, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Mountain Area Regional Transit Authority's (MARTA) compliance with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of MARTA's major federal programs for the year ended June 30, 2023. MARTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MARTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 MARTA 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 MARTA's compliance with the 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 MARTA'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 MARTA'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 generally accepted auditing standards, *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 MARTA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 MARTA'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 MARTA'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 MARTA'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.

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

We have audited the financial statements of MARTA as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise MARTA's basic financial statements. We issued our report thereon dated December 20, 2023, 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 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

BCA Watson Rice, LLP

Torrance, CA
February 22, 2024

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor / Program Title	Assistance Listing Number	Agency or Passed-through Identifying Number	Grant Amount	Grant Period	Expenditures
U.S. Department of Transportation – Federal Transit Administration					
Passed-through State of California Department of Transportation					
Formula Grants for Rural Areas, Section 5311 (2022)	20.509	64BA22-02085	$ 401,916	7/1/2022 – 12/31/2023	$ 401,916
Formula Grants for Rural Areas, Intercity Bus Section 5311f (2022)	20.509	64CA22-02150	231,567	7/1/2022 – 12/31/2023	231,567
Formula Grants for Rural Areas, Section 5311 Congestion Mitigation and Air Quality Improvement Program (2020 CMAQ)	20.509	64HC20-01383	560,000	7/1/2020 – 6/30/2024	560,000
Total Federal Expenditures					1,193,483
Total Federal Financial Assistance					$ 1,193,483

See Notes to Schedule of Expenditures of Federal Awards

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Mountain Area Regional Transit Authority (MARTA) under programs of the federal government for the year ended June 30, 2023. 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 MARTA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the MARTA.

Note 2 – Indirect Cost Rate

MARTA has not elected to use the 10% de minimis cost rate as covered in§200.414 Indirect (F&A) costs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3 – Subrecipients

No federal financial assistance has been provided to a subrecipient.

Note 4 – Relationship to Annual Financial Report

Amounts reported in the accompanying schedule agree to amounts reported within the MARTA's financial statements.

Note 5 – Contingencies

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

A - Financial Statements

1) Type of auditor's report issued:	Unmodified
2) Internal control over financial reporting:	
a) Material weakness(es) identified?	No
b) Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
3) Noncompliance material to financial statements noted?	No

B - Federal Awards

1) Type of auditor's report issued on compliance for major programs:	Unmodified
2) Internal control over major programs:	
a) Material weakness(es) identified?	No
b) Significant deficiency(ies) identified not considered material weakness(es)?	None reported
3) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

4) Identification of major programs:

Assistance Listing No.	Name of Federal Program
20.509	Formula Grants for Rural Areas and Tribal Transit Program

5) Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
6) Auditee qualified as low-risk auditee?	No

MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Financial Statement Findings

Finding No.	Area	Status of Corrective Action
2022-001	Financial Reporting and Closing	Implemented
2022-001	Payroll	Implemented

Federal Award Findings

Finding No.	Area	CFDA No.	Compliance Requirements	Status of Corrective Action
2021-003	U.S. Department of Transportation	20.509	Other	Implemented

MORONGO BASIN TRANSIT AUTHORITY

(A joint Powers Authority)

Financial Statements
With Independent Auditor's Report

June 30, 2023

BCAWR
Certified Public Accountants & Advisors

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MORONGO BASIN TRANSIT AUTHORITY

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Independent Auditor's Report

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 (formerly Basin Transit), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Basin Transit'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 Basin Transit, as of June 30, 2023, and the changes in the financial position, and cash flows thereof for the year then ended in accordance with the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Basin Transit 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 Basin Transit'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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Basin Transit'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 Basin Transit'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 Government 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 the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 19, 2023, on our consideration of the Basin Transit'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 Basin Transit'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 Basin Transit's internal control over financial reporting and compliance.

BCA Watson Rice, LLP

Torrance, California
December 19, 2023

MORONGO BASIN TRANSIT AUTHORITY

Statement of Net Position
June 30, 2023

Assets	
Current Assets	
Cash and cash equivalents	$ 7,172,627
Restricted cash	
Restricted for capital purposes	396,699
Pensions/OPEB trusts	567,825
Receivables	
Grants	1,083,494
Accrued revenue	111,445
Prepaid costs	64,580
Total current assets	9,396,670
Noncurrent Assets	
Capital assets, net	4,808,955
Total assets	14,205,625
Deferred Outflows of Resources	
Deferred amount related to pensions	855,646
Deferred amount related to OPEB	436,264
Total deferred outflows of resources	1,291,910
Liabilities	
Current Liabilities	
Accounts payable	10,140
Compensated absences	68,674
Other accrued liabilities	70,215
Unearned revenue	4,634,237
Total current liabilities	4,783,266
Noncurrent Liabilities	
Net pension liability	1,327,753
Net OPEB liability	1,078,941
Compensated absences	68,674
Total noncurrent liabilities	2,475,368
Total liabilities	7,258,634
Deferred Inflows of Resources	
Deferred amount related to pensions	54,505
Deferred amount related to OPEB	2,197,904
Total deferred inflows of resources	2,252,409
Net Position	
Net investment in capital assets	4,808,955
Unrestricted	1,177,537
Total net position	$ 5,986,492

See Notes to Financial Statements.

MORONGO BASIN TRANSIT AUTHORITY

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

Operating Revenues	
Passenger fares	$ 307,345
Procurement services	140,361
Taxi licensing services	4,420
Total operating revenues	452,126
Operating Expenses	
Operations	3,044,596
Maintenance	602,902
Administration	1,032,656
Procurement	250,100
Taxi licensing	10,368
Escort program TREP	77,177
Depreciation	1,121,575
Total operating expenses	6,139,374
Operating income (loss)	(5,687,248)
Non-Operating Revenues	
Operating assistance	
Local transportation fund article 4	3,073,754
Measure I	162,127
Federal transit administration section 5311	405,096
Federal transit administration section 5310 TREP	76,383
State and local grants	40,000
Interest income	22,692
Net increase in fair value of investments	16,644
Miscellaneous	420,817
Total non-operating revenue	4,217,513
Loss Before Capital Contributions	(1,469,735)
Capital Contributions	
State transit assistance fund	110,686
Local transportation fund article 4	335,294
Low carbon transit operations program	117,785
State of good repair	33,623
Total capital contributions	597,388
Change in Net Position	(872,347)
Net Position, Beginning of Year	6,858,839
Net Position, End of Year	$ 5,986,492

See Notes to Financial Statements.

MORONGO BASIN TRANSIT AUTHORITY

Statement of Cash Flows
For the Year Ended June 30, 2023

Operating Activities	
Cash received from fares	$ 307,345
Cash received from taxi and procurement services	144,781
Payments to employees	(2,906,554)
Payments to vendors for services	(2,144,311)
Net Cash Used in Operating Activities	(4,598,739)
Non-Capital Financing Activities	
Operating grants received	6,559,686
Net Cash Provided by Non-Capital Financing Activities	6,559,686
Capital and Related Financing Activities	
Capital grants received	728,158
Purchase of capital assets	(319,243)
Net Cash Provided by Capital and Related Financing Activities	408,915
Investing Activities	
Investment income	39,336
Net Cash Provided by Investing Activities	39,336
Net Increase in Cash and Cash Equivalents	2,409,198
Cash and Cash Equivalents, Beginning of Year	5,727,953
Cash and Cash Equivalents, End of Year	$ 8,137,151
Reconciliation of Cash and Cash Equivalents to Statement of Net Position	
Cash and cash equivalents	$ 7,172,627
Restricted cash for capital purposes	396,699
Restricted cash - pension/OPEB trusts	567,825
Total cash and cash equivalents	$ 8,137,151

See Notes to Financial Statements.

MORONGO BASIN TRANSIT AUTHORITY

Statement of Cash Flows (Continued)
For the Year Ended June 30, 2023

Reconciliation of Operating Loss to Net Cash used in Operating Activities	
Operating income (loss)	$ (5,687,248)
Adjustments to Reconcile Operating (Loss) to Net Cash used in Operating Activities	
Depreciation expense	1,121,575
Changes in Assets and Liabilities	
(Increase) decrease in assets	
Prepaid costs	4,220
Increase (decrease) in liabilities	
Accounts payable and accrued liabilities	(49,179)
Compensated absences	28,221
Other accrued liabilities	58,789
Net pension liability	929,916
Total OPEB liability	(1,760,128)
Change in deferred outflows of resources related to pensions	(493,665)
Change in deferred inflows of resources related to pensions	(300,987)
Change in deferred outflows of resources related to OPEB	84,359
Change in deferred inflows of resources related to OPEB	1,465,388
Total adjustments	1,088,509
Net Cash used in Operating Activities	$ (4,598,739)
Non-cash investing, capital, and financing activities:	
Net increase in fair value of investments	$ 16,644

See Notes to Financial Statements.

Note 1 – Organization

Morongo Basin Transit Authority (Basin Transit) 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. Basin Transit 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 routes and certain demand-response services. Basin Transit 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 – Basin Transit 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 – Basin Transit'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 include 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 – Basin Transit 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. Basin Transit 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 the 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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Self-Insurance Liabilities – Basin Transit'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 employees 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 Basin Transit 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, 2023 is $396,699. Furthermore, $567,825 is held under the establishment of two Section 115 Trusts funds through CalPERS. Basin Transit participates in the California Employers' Pension Prefunding Trust Program (CERBT) and California Employers' Pension Prefunding Trust Program (CEPPT) which hold $332,360 and $235,465, respectively.

Note 2 – Summary of Significant Accounting Policies (Continued)

Operating and Non-Operating Revenue – Basin Transit distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from directly providing services in connection with Basin Transit'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 Basin Transit's policy to use restricted resources first, and then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources – Basin Transit 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 Notes 11 and 13 for items identified as deferred inflows and outflows as of June 30, 2023.

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 Basin Transit'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.

<u>Effect of New Governmental Accounting Standards Board (GASB) Pronouncements</u>

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 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). Basin Transit implemented the new reporting requirements in fiscal year 2023 and there is no effect on the financial statements.

Note 2 – Summary of Significant Accounting Policies (Continued)

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements (Continued)

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. Basin Transit implemented the new reporting requirements in fiscal year 2023 and there is no effect on the financial statements.

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. Basin Transit implemented the new reporting requirements in fiscal year 2023 and there is no effect on the financial statements.

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. Basin Transit has not determined the effect of 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. Basin Transit 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. Basin Transit 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 the 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, 2023, procurement revenues were expended on bid expenses and transit assistance grant programs to local transit agencies. The remaining procurement expenses were allocated to fund the administrative activities of Basin Transit, based on approved budgeted balances.

Note 3 – Procurement Activity and Taxi Licensing Activity (Continued)

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, 2023, these expenses included legal fees, insurance, drug testing, background verification, rent, and utilities.

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

Procurement activities balance form prior year	$	1,760,533
Change in balance		(250,100)
Ending balance of procurement activities	$	1,510,433
Taxi licensing activities balance from prior year	$	70,658
Change in balance		(5,948)
Ending balance of taxi licensing activities	$	64,710

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

Note 4 – Cash and Cash Equivalents

Cash and cash equivalents	$	7,172,627
Restricted cash		964,524
Total	$	8,137,151

Cash and cash equivalents as of June 30, 2023 consist of the following:

Cash on hand	$	305
Demand accounts		6,253,822
Section 115 Trust Funds		567,825
Local Agency Investment Fund (LAIF)		1,315,199
Total	$	8,137,151

Policies and Practices

Basin Transit 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. Basin Transit does not have a formal policy for investments that is more restrictive than that noted in the government code.

Note 4 – Cash and Cash Equivalents (Continued)

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. Basin Transit 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. Basin Transit 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, Basin Transit 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. Basin Transit 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, 2023, 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 Basin Transit, leaving $5,253,821 exposed to credit risk for deposits as of June 30, 2023.

LAIF Investment Pool

Basin Transit 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 Basin Transit's investment in this pool is reported in the accompanying financial statements at amounts based upon Basin Transit'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, 2023, Basin Transit's balance in LAIF was $1,315,199.

Note 4 – Cash and Cash Equivalents (Continued)

Investments in Section 115 Trusts

Basin Transit participates in CEPPT and CERBT Section 115 trust funds. The agreement entered into by Basin Transit provides that the California Public Employees' Retirement Board of Administration has sole and exclusive control of the administration and investment of Basin Transit's contributions. Basin Transit'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 funds that can be found on the CalPERS website.

Fair Value Measurements

Basin Transit 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. Basin Transit'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, Basin Transit's investments in LAIF at June 30, 2023 of $1,315,199 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

Basin Transit 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, 2023 was $481,479.

Transportation Development Act

Basin Transit 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. Basin Transit 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 Basin Transit and approved by SBCTA.

MORONGO BASIN TRANSIT AUTHORITY

Notes to Financial Statements
June 30, 2023

Note 5 – Federal, State, and Local Grants (Continued)

Transportation Development Act (Continued)

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 2023 is as follows:

	Operating Funds	Capital Funds	Total
Beginning balance, July 1, 2022	$ 3,381,975	$ 452,659	$ 3,834,634
Gross receipts			
Fares	307,345	-	307,345
State transit assistance fund	-	128,516	128,516
Federal transit admin section 5311	405,096	-	405,096
Local transportation fund, article 3	-	287,826	287,826
Local transportation fund, article 4	3,688,070	-	3,688,070
Measure I	162,127	-	162,127
Interest income	-	271	271
Other	-	100,971	100,971
LCTOP	-	203,135	203,135
SB1 State of good repair	-	133,495	133,495
FTA Section 5310	76,383	-	76,383
Total gross receipts	4,639,021	854,214	5,493,235
Operating expenses, less depreciation	3,985,188	389,203	4,374,391
Capital acquisitions	-	319,241	319,241
Receipts over (under) expenses in current period	653,833	145,770	799,603
Deferred revenue at June 30, 2023	$ 4,035,808	$ 598,429	$ 4,634,237

Deferred revenue at June 30, 2023 consists of the following:

	Operating Funds	Capital Funds	Total
LTF Carryover	$ 4,035,808	$ -	$ 4,035,808
LCTOP Capital	-	166,667	166,667
State of Good Repair	-	193,249	193,249
PTMISEA Vehicles	-	238,513	238,513
	$ 4,035,808	$ 598,429	$ 4,634,237

Attachment: Combine TDA Reports 2023 (10395 : Transit Operators and TDA Audits for Fiscal Year 2022/2023)

Note 5 – Federal, State, and Local Grants (Continued)

Transportation Development Act (Continued)

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, 2023 is calculated as follows:

Operating expenses	$ 6,139,374
Less Basin Transit reported procurement operations expense	(250,100)
Less Basin Transit reported taxi licensing operations expense	(10,368)
Less reimbursable expenses	(406,177)
Less depreciation	(1,121,575)
Adjusted operating expenses	$ 4,351,154
Fare revenue	$ 307,345
Fare ratio	7.06%
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	135,266
Adjusted fare revenue	442,611
Adjusted fare ratio	10.17%

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, 2022	$ 238,465
Interest earning during fiscal year	47
Funds expended during fiscal year	-
Unearned PTMISEA Balance, June 30, 2023	$ 238,512

Note 5 – Federal, State, and Local Grants (Continued)

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, 2023 was $80,541.

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, 2023 was $77,645.

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, is as follows:

	Beginning Balance July 1, 2022	Additions	Retirements	Ending Balance June 30, 2023
Capital assets being depreciated				
Buildings and improvements	$ 10,873,493	$ 191,794	$ 133,049	$ 10,932,238
Office furniture, fixtures, and equipment	247,253	11,964	11,516	247,701
Buses	5,708,851	77,448	1,302,367	4,483,932
Vehicles	272,367	33,671	-	306,038
Information systems	26,437	4,366	7,932	22,871
Data handling equipment	594	-	594	-
	17,128,995	319,243	1,455,458	15,992,780
Less accumulated depreciation for				
Buildings and improvements	7,308,796	518,522	133,048	7,694,270
Office furniture, fixtures, and equipment	225,172	10,568	11,516	224,224
Buses	3,742,453	562,327	1,302,368	3,002,412
Vehicles	213,078	24,294	-	237,372
Information systems	27,733	3,463	7,932	23,264
Data handling equipment	476	2,401	594	2,283
	11,517,708	1,121,575	1,455,458	11,183,825
Capital assets, net of accumulated depreciation	$ 5,611,287	$ (802,332)	$ -	$ 4,808,955

Note 7 – Grants

Grants receivable at June 30, 2023 were $1,083,494. This balance was composed of $973,626 of Federal operating assistance grant funds and $109,868 from State and local sources.

Note 8 – Line of Credit

Basin Transit has an unsecured line of credit with Pacific Western Bank. As of June 30, 2023, 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, Basin Transit 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, 2023. No amounts were outstanding on the line of credit as of June 30, 2023 and Basin Transit had not made any withdrawals on the line of credit during the fiscal year.

Note 9 – Self Insurance

Basin Transit 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 the 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, Basin Transit'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, 2023, the retrospective calculation has not resulted in any additional liabilities for the general liability and physical damage policies. Basin Transit paid premiums to CalTIP of $315,067 for the fiscal year ended June 30, 2023. Basin Transit 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.

Basin Transit 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.

Note 9 – Self Insurance (Continued)

- 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 $137,348 is related to accumulated unpaid personal leave which includes vacation and comp pay accrued at June 30, 2023.

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amount Due in One Year	Amount Due Beyond One year
$ 109,127	$ 82,784	$ (54,563)	$ 137,348	$ 68,674	$ 68,674

Note 11 – Employees' Retirement Plan

(a) General Information about the Pension Plan

Plan Description
Basin Transit 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.

Note 11 – Employees' Retirement Plan (Continued)

(a) General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

The Plans provisions and benefits in effect at June 30, 2023, 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		50-60	
Monthly benefits, as a % of annual salary	2.00%		2.00%	
Required employee contribution rate	7.00%		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 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. Basin Transit 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, 2023 were $258,256.

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

As of June 30, 2023, Basin Transit's proportionate share of the collective net pension liability of the Plan is $1,327,753

Basin Transit'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, 2022 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, 2022 rolled forward to June 30, 2023 using standard actuarial procedures. Basin Transit's proportion of the net pension liability was based on a projection of Basin Transit's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. Basin Transit's proportion of the Plan as of June 30, 2022, and 2023 were as follows:

Note 11 – Employees' Retirement Plan (Continued)

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

	Miscellaneous
Proportion - June 30, 2022	0.02095%
Proportion - June 30, 2023	0.02838%
Change - Increase (Decrease)	0.00743%

At June 30, 2023, Basin Transit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 136,056	$ -
Difference between Expected and Actual Experience	26,664	17,858
Difference between Projected and Actual Investment Earnings	243,209	-
Difference between Employer's Contributions and Proportionate Share Contributions	-	36,647
Change in Employer's Proportion	191,461	
Pension Contributions Made Subsequent to Measurement Date	258,256	
Total	855,646	$ 54,505

The amount of $258,256 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, 2024. 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,	
2024	$ 173,743
2025	142,597
2026	77,791
2027	148,755
Thereafter	-
	$ 542,886

(c) Actuarial Assumptions

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

Note 11 – Employees' Retirement Plan (Continued)

(c) Actuarial Assumptions (Continued)

	Miscellaneous
Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	6.90% *
Mortality	Derived using CalPERS' Membership Data for all funds

* Net of pension plan investment, includes inflation.

(d) Discount Rate

The discount rate used to measure the total pension liability was 6.90 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 Basin Transit'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 currently 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 6.90 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 is 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 follows:

Note 11 – Employees' Retirement Plan (Continued)

(e) Long-Term Expected Rate of Return (Continued)

Asset Class	Assumed Assets Allocation	Real Return (1,2)
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(1) An expected price inflation of 2.30% was used for this period.
(3) Figures are based on the 2021-2022 Asset Liability Management study.

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

The following presents the net pension liability of Basin Transit for the Plan, calculated using the discount rate, as well as what the Basin Transit'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 (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
MBTA's proportionate share of net pension liability	$ 2,206,710	$ 1,327,753	$ 604,590

(g) Pension Plan Fiduciary Net Position

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

(h) Subsequent Events

The actuarial valuation report reflects fund investment return through June 30, 2022 and statutory/regulatory changes and board actions through January 2023. During the time period between the valuation date and its publication, inflation has been significantly higher than the expected inflation of 2.3% per annum. Since inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists. Per the valuation report, the Actuaries believe that the long-term inflation assumption of 2.3% is appropriate.

Note 12 – Health Reimbursement Arrangement

Basin Transit is a member of the California Public Employees Retirement System (PERS). All employees are enrolled in PERS, and are eligible for approved Health Care Coverage. Employees who work more than 40 hours per pay period may participate in Basin Transit's insurance programs. Basin Transit maintains a Health Reimbursement Arrangement (HRA) qualifying as a tax-favored benefit under IRS Publication 502. Basin Transit pays up to 100% of the lowest single subscriber health premium offered through PERS. Basin Transit pays 100% of the lowest single+1 subscriber health premium for Managers. In the event the premium is higher than the lowest single subscriber rate, the difference would be deducted from the employee's paycheck.

For eligible employees who opt out of PERS health, Basin Transit will contribute $5,000 annually towards a Health Reimbursement Arrangement (HRA) to help with healthcare expenses. This contribution would be available at the beginning of each calendar year. An employee does not pay federal income tax or employment taxes on the amounts contributed by Basin Transit. As of June 30, 2023, HRA reimbursements in the amount of $50,388 were reported as operating expenses in the Statement of Revenues, Expenses, and Changes in Net Position. The total HRA liability as of June 30, 2023 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, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Plan Description: Basin Transit offers a 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 Basin Transit contributions to PEMHCA through the CalPERS health system, with the balance paid by the employee. Basin Transit'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: Basin Transit funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of $600 per month for each retirees' benefits from Basin Transit funds as they become due with no pre-funding for future years. Basin Transit recognizes expenses for its share of the annual premiums as these benefits become due.

Note 13 – Other Post-Employment Benefits (Continued)

Employees Covered by Benefit Terms: At June 30, 2022, the most recent valuation date, the following current and former employees were covered by the benefit terms under the Plan:

Active plan members	37
Inactive employees or beneficiaries currently receiving benefits	7
Total	44

Contributions: The contribution requirements for Basin Transit are established and may be amended by Basin Transit'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 costs become due). For the fiscal year 2022-2023, the total contributions made to the plan were $24,963.

Total OPEB Liability: Basin Transit's total OPEB liability of $1,078,941 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022. 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, 2022 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	3.69% (1)
Inflation	2.50%
Salary Increases	3.00%
Mortality	(2)
Healthcare Trend Rate	6.50% for 2022, 6% for 2023, 5.50% for 2024, 5.25% for 2025-2029, 5% for 2030-2039, 4.75% for 2040-2049, 4.50% for 2050-2069, and 4% for 2070 and later years; Medical ages: 4.50% for 2020-2029, and 4% for 2020 and later years.

(1) Based on Fidelity GO AA 20 Years Municipal Index
(2) Pre-retirement Mortality Rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study.
Post-retirement Mortality Rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study

Changes in Assumptions: Based on adjustments to the Fidelity GO AA 20 Years Municipal Index the discount rate was changed to 3.69% from 1.92%.

Note 13 – Other Post-Employment Benefits (Continued)

Changes in the Total OPEB Liability:

	Net OPEB Liability
Balance at June 30, 2022	$ 2,839,069
Changes in the year:	
Service cost	290,754
Interest	59,829
Difference between expected and actual experience	(683,738)
Changes in assumptions	(1,247,797)
Benefit payments, including implicit subsidy	(27,612)
Plan fiduciary net position	(151,564)
Net changes	(1,760,128)
Balance at June 30, 2023	$ 1,078,941

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of Basin Transit, as well as what Basin Transit's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.50 percent) or 1 percentage-point higher (6.50 percent) than the current discount rate:

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability	$ 1,248,615	$ 1,078,941	$ 938,429

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of Basin Transit, as well as what Basin Transit'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	$ 922,739	$ 1,078,941	$ 1,270,704

(a) Trend rate for each future year reduced by 1.00%
(b) Trend rate for each future year increased by 1.00%

Note 13 – Other Post-Employment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB: For the year ended June 30, 2023, Basin Transit recognized a credit to OPEB expenses of $7,791. At June 30, 2023, Basin Transit reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (1,130,947)
Difference between assumptions or other inputs	385,608	(1,066,957)
Difference between projected and actual returns on OPEB investments	18,046	-
OPEB benefits paid subsequent to measurement date as they became due	32,610	-
Total	$ 436,264	$ (2,197,904)

$32,610 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date as they become due will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 111,914	$ (466,147)
2025	11,914	(466,147)
2026	96,879	(395,246)
2027	63,391	(338,489)
2028	19,556	(279,932)
Thereafter	19,556	(251,943)
	$ 323,210	$ (2,197,904)

Note 14 – Section 115 Trust

In April 2021, the board of directors approved the Basin Transit'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 Basin Transit's creditors. The purpose of Basin Transit's participation in each program was to address Basin Transit'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 Basin Transit. Accordingly, the Section 115 Trust assets are recorded as restricted by Basin Transit 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. Basin Transit contributes to

Note 14 – Section 115 Trust (Continued)

each plan on a monthly basis. For the year ended June 30, 2023, Basin Transit made contributions in the amount of $332,360 and $235,465 to CEPPT and CERBT, respectively. As of June 30, 2023, the fair value of assets held in trust is $567,825.

Note 15 – Subsequent Events

In preparing the financial statements Basin Transit has evaluated events and transactions for potential recognition or disclosure through December 19, 2023, the date the financial statements were available to be issued. No subsequent events occurred that require recognition or additional disclosure in the Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

MORONGO BASIN TRANSIT AUTHORITY

Cost Sharing Retirement Plan – Schedule of Proportionate Share of Net Pension Liability
Last Ten Years*
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the collective net pension liability	0.02838%	0.02095%	0.02488%	0.00906%	0.00848%	0.00841%	0.00802%	0.00841%	0.00915%
Proportionate share of the collective net pension liability	$ 1,327,753	$ 397,837	$ 1,049,355	$ 928,676	$ 817,011	$ 834,456	$ 694,380	$ 477,834	$ 568,496
Covered payroll	$ 1,607,731	$ 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	82.59%	21.03%	59.34%	55.92%	55.27%	64.78%	58.36%	40.93%	44.18%
Plan fiduciary net position as a percentage of total pension liability	79.41%	90.49%	77.71%	77.73%	75.26%	73.31%	74.06%	78.40%	79.82%
Measurement date	June 30, 2022	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.

MORONGO BASIN TRANSIT AUTHORITY

Cost Sharing Retirement Plan – Schedule of Pension Contributions
Last Ten Years*
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 258,256	$ 220,260	$ 144,126	$ 132,946	$ 110,190	$ 101,940	$ 89,367	$ 97,304	$ 97,728
Contributions in relation to the actuarially determined contribution	$ (258,256)	$ (220,260)	$ (144,126)	$ (132,946)	$ (110,190)	$ (101,940)	$ (89,367)	$ (97,304)	$ (97,728)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,607,731	$ 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	16.06%	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.

MORONGO BASIN TRANSIT AUTHORITY

Other Post Employment Benefits – Schedule of Changes in Total OPEB Liability and Related Ratios
Last Ten Years*
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018
Net OPEB Liability						
Service cost	$ 290,754	$ 279,570	$ 228,652	$ 241,469	$ 243,107	$ 307,069
Interest	59,829	63,097	81,370	78,383	88,680	74,734
Difference between actual and expected experience	(683,738)	-	(644,109)	-	(638,083)	-
Changes in assumptions	(1,247,797)	215,090	289,197	161,055	47,476	-
Benefit payments, including refunds of employee contributions	(27,612)	(28,832)	(31,753)	(35,552)	(33,163)	(33,163)
Plan fiduciary net position	(151,564)	-	-	-	-	-
Net change in total OPEB liability	(1,760,128)	528,925	(76,643)	445,355	(291,983)	348,640
Net OPEB liability - beginning	2,839,069	2,310,144	2,386,787	1,941,432	2,233,415	1,884,775
Net OPEB liability - ending	$ 1,078,941	$ 2,839,069	$ 2,310,144	$ 2,386,787	$ 1,941,432	$ 2,233,415
Covered employee payroll	$ 1,892,163	$ 1,435,207	$ 1,753,417	$ 1,631,908	$ 1,478,115	$ 1,288,112
Net OPEB liability as a percentage of covered employee payroll	57%	198%	132%	146%	131%	173%

Notes to Schedule:

Funding Policy: Basin Transit funds the benefits on a pay-as-you-go basis.

* Fiscal year 2018 was the first year of implementation.

Change 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 changed to 2.45%. For the measurement date June 30, 2021, the discount rate was changed to 1.92%. For the measurement date June 30, 2022, the discount rate was changed to 5.50%.

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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

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 (Basin Transit) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Basin Transit's basic financial statements and have issued our report thereon dated December 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Basin Transit's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Basin Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of Basin Transit'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 2023-001 that we considered to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Basin Transit'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 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,* Section 6667 of Title 21 of the California Code of Regulations, or the California Government Code §8879.50 et. seq.

Basin Transit's Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on Basin Transit's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Basin Transit'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 Basin Transit's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Basin Transit's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California
December 19, 2023

MORONGO BASIN TRANSIT AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

2023-001 Reconciliation of the Deferred Revenue General Ledger Balance(control account) with the Deferred Revenue Roll-forward schedule (sub-ledger)

Criteria
Proper financial statement reporting requires that the balance in the general ledger control account aligns precisely with the balance in its related sub-ledger or roll-forward schedule. This alignment is crucial for ensuring the accuracy and integrity of financial records.

Condition
In reviewing the balances of both the Deferred Revenue and Unearned Revenue accounts, we found a discrepancy: the total balance of these general ledger control accounts does not align with the figures in the supporting deferred revenue roll-forward analysis. This discrepancy appears to be due to the omission of the Unearned Revenue account balance from the roll-forward schedule.

Context
This discrepancy was discovered while preparing the financial statements for the period ended June 30, 2023.

Effect
The supporting roll-forward schedule does not accurately represent the transaction activities within the deferred revenue account. To address this, an adjustment to the roll-forward schedule was made, ensuring that its ending balance aligned accurately with the control balance in the general ledger.

Cause
This issue stemmed from a change in the presentation approach for the deferred revenue roll-forward schedule recommended by prior-auditors leading to a misunderstanding among the staff regarding the accurate presentation of the roll-forward schedule that arose during this transition.

Recommendation
We recommend that Basin Transit establish a comprehensive monitoring system for its Deferred and Unearned Revenue accounts to ensure alignment between the roll-forward schedules and the general ledger balances. This system should facilitate a precise tracking of transaction movements over the fiscal years. Additionally, it is advisable for Basin Transit to provide targeted training to staff members responsible for managing deferred and unearned revenue transactions. This training will enhance their understanding and proficiency in the accurate recording and handling of these accounts, thereby helping to prevent similar discrepancies in future reporting periods.

Views of Responsible Official and Planned Corrective Actions
Management agrees. See the separately issued corrective action plan.

MORONGO BASIN TRANSIT AUTHORITY
Status of Prior Year Findings and Questioned Costs

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 Morongo Basin Transit Authority (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, 2023.

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 the audit.

Views of Responsible Official and Planned Corrective Actions
Management agrees. See the separately issued corrective action plan.

Current Year Status
During the fiscal year 2022-2023, apart from the issue related to the accurate recording of prepaid expenses, the other two identified issues were effectively addressed and resolved. Additionally, we observed a similar error in the recording of prepaid insurance expenses for the fiscal year 2022-2023, which was promptly rectified following our recommendations.

BASIN TRANSIT

Management's Response to Auditor's Findings:
Corrective Action Plan
June 30, 2023

Prepared by Management of

Morongo Basin Transit Authority

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BASIN TRANSIT

Finding 2023-001

Finding Summary: **Reconciliation of the Deferred Revenue General Ledger Balance(control account) with the Deferred Revenue Roll-forward schedule (sub-ledger)**

Proper financial statement reporting requires that the balance in the general ledger control account aligns precisely with the balance in its related sub-ledger or roll-forward schedule. This alignment is crucial for ensuring the accuracy and integrity of financial records.

Responsible Individuals: Cheri Holsclaw, General Manager and
Michal Brock, Office Manager

Corrective Action Plan: Staff will undergo educational initiatives to enhance their understanding of unearned revenues and will ensure alignment between the roll-forward schedules and the general ledger balances.

Anticipated Completion Date: June 30, 2024

Cheri Holsclaw, General Manager

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December 19, 2023

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

We have audited the financial statements of the Morongo Basin Transit Authority (Basin Transit) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 19, 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 at our entrance conference on October 5, 2023, 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 Basin Transit 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 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 Basin Transit 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 the 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 Basin Transit's financial statements relate to:

- The disclosure of Basin Transit'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 Basin Transit'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 Basin Transit's net pension liability.

- The disclosure of Basin Transit'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 underlying 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 Basin Transit'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 misstatement that we identified as a result of our audit procedures was brought to the attention of, and corrected by management:

- Correction to properly report prepaid costs and accrued insurance liability as of June 30, 2023 in the amount of $49,998.

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 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 Audit Findings or Issues

In the normal course of our professional association with Basin Transit, 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 Basin Transit's auditors.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and the knowledge we obtained during our audit of the financial statements. We did not audit and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

BCA Watson Rice, LLP

Torrance, California

CITY OF MONTCLAIR, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY

FINANCIAL STATEMENTS
June 30, 2023

CITY OF MONTCLAIR, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2023 and 2022

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Crowe

CROWE LLP
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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 (TDA) Article 3 Fund Activity (TDA Fund Activity) of the City of Montclair, California (City), as of and for the year ended June 30, 2023, 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 TDA Fund Activity of the City, as of June 30, 2023, 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 Activity, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, or the changes in its financial position 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.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying schedule of allocations received and expended, by project year (the "additional information"), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described 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 17, 2024, on our consideration of the City's internal control over financial reporting of the TDA Fund Activity 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 of the TDA Fund Activity.

Crowe LLP

Crowe LLP

Los Angeles, California
January 17, 2024

CITY OF MONTCLAIR, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
BALANCE SHEET
June 30, 2023

	Article 3 2023
ASSETS	
Due from other City funds	$ -
Total assets	$ -
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	$ -
Fund balance (deficit)	
Unassigned	-
Total liabilities and fund balance	$ -

See notes to financial statements.

CITY OF MONTCLAIR, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
Year Ended June 30, 2023

	Article 3 2023
Revenue	
TDA allocation	$ 218,659
Total revenues	218,659
Expenditures	
Capital	
TDA expenditures	218,659
Net change in fund balance	-
Fund balance, beginning of year	-
Fund balance, end of year	$ -

See notes to financial statements.

NOTE 1 – GENERAL INFORMATION

Reporting Entity: The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund Activity only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the of the City of Montclair, California (City), and the changes in its financial position 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% to 50% of the project costs. The City satisfied its required match during the fiscal year.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting: The City accounts for the activity of the Article 3 TDA Fund Activity in its General Fund, under 1163 and 1751 sub funds.

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within in its General Fund, under 1163 and 1751 sub funds.

Measurement Focus and Basis of Accounting: The general fund 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.

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Activity based upon the average cash balance. The investment policies and the risks related to cash and investments, applicable to the TDA Fund Activity, 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, 2023, cash balance was $0.

Use of 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.

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

CITY OF MONTCLAIR, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 FUND ACTIVITY
Year ended June 30, 2023

	Budget			Variance From Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
TDA allocation	$ -	$ 218,659	$ 218,659	$ -
Expenditures				
Capital				
TDA expenditures	-	218,659	218,659	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

See Note to Required Supplementary Information.

CITY OF MONTCLAIR, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2023

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.

ADDITIONAL INFORMATION

CITY OF MONTCLAIR, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2022	Expenditures	Unspent Allocations at June 30, 2023
Article 3	Pacific Electric Bicycle Trail	2021-22	$ 327,544	$ 327,544	$ 218,659	$ 108,885
				Total expenditures	$ 218,659	

Crowe

CROWE LLP
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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*

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 Transportation Development Act (TDA) Article 3 Fund Activity (TDA Fund Activity) of the City of Montclair, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund Activity's basic financial statements, and have issued our report thereon dated January 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting of the TDA Fund Activity (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.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the TDA Fund Activity 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.

Crowe LLP

Crowe LLP

Los Angeles, California
January 17, 2024

CITY OF NEEDLES, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2023 and 2022

CITY OF NEEDLES, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2023 and 2022

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Crowe

CROWE LLP
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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 (TDA) Article 3 Fund (TDA Fund) of the City of Needles, California (City), as of and for the year ended June 30, 2023, 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 TDA Fund of the City, as of June 30, 2023, 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 Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the TDA Fund of the City for the year ended June 30, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on December 22, 2022.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, or the changes in its financial position 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.

(Continued)

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.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2024, 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.

Crowe LLP

Crowe LLP

Los Angeles, California
February 26, 2024

CITY OF NEEDLES, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2023 and 2022

	Article 3	
	2023	2022
ASSETS		
Cash and investments	$ 725	$ 725
Total assets	$ 725	$ 725
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other City funds	$ 725	$ -
Fund balance (deficit)		
Unassigned	-	725
Total liabilities and fund balance	$ -	$ 725

See notes to financial statements.

CITY OF NEEDLES, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Years ended June 30, 2023 and 2022

	Article 3	
	2023	2022
Revenues		
TDA allocation	$ -	$ -
Total revenues	-	-
Expenditures		
Other expenditure	725	-
Total expenditures	725	-
Net change in fund balance	(725)	-
Fund balance (deficit), beginning of year	725	725
Fund balance (deficit), end of year	$ -	$ 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, 2023, 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

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.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023 and 2022, the cash balance of the TDA Fund is $725.

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.

Use of 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.

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 TO OTHER CITY FUNDS

Due to other City funds of $750 in fiscal year 2023 represents the amount to be paid to the City general fund in fiscal year 2024 for non-TDA amounts previously received.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEEDLES, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 FUND
Years ended June 30, 2023 and 2022

	Budget Original	Budget Final	Actual	Variance from Final Budget Positive (Negative)
June 30, 2023				
Revenues				
TDA allocation	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
Expenditures				
Current				
Other expenditure	-	-	725	(725)
Total expenditures	-	-	725	(725)
Net change in fund balance	-	-	(725)	(725)
Fund balance, beginning of year	-	-	725	725
Fund balance, end of year	$ -	$ -	$ -	$ -
June 30, 2022				
Revenues				
TDA allocation	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
Expenditures				
Current				
TDA expenditures	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	725	725	725	-
Fund balance, end of year	$ 725	$ 725	$ 725	$ -

See note to required supplementary information.

CITY OF NEEDLES, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2023 and 2022

NOTE 1 – BUDGETARY DATA

The City did not adopt a budget for the TDA Article 3 Fund in 2023 and 2022.

CROWE LLP
Independent Member Crowe Global

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*

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 Transportation Development Act (TDA) Article 3 Fund (TDA Fund) of the City of Needles, California (City), as of and for the years ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements and have issued our report thereon dated February 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weakness or significant deficiencies may exist that were not identified. 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.

(Continued)

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.

Crowe LLP

Crowe LLP

Los Angeles, California
February 26, 2024

NEEDLES TRANSIT FUND
AN ENTERPRISE FUND OF THE
CITY OF NEEDLES, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2023

NEEDLES TRANSIT FUND
JUNE 30, 2023

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of City Council
City of Needles, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Needles Transit Fund (the Transit Fund), an enterprise fund of the City of Needles, California (the City), as of and for the year ended June 30, 2023, 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, 2023, and the changes in its financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and 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 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, 2023, the changes in its 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.

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STOCKTON
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209-451-4833

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 Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 relating to the Transit Fund. 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 Fund's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Combining Statement of Net Position; Combining Statement of Revenues, Expenses, and Changes in Net Position; and Combining Statement of Cash Flows, 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 January 29, 2024, on our consideration of the City's internal control over financial reporting relating to 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 relating to the Transit Fund and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance relating to the Transit Fund. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance relating to the Transit Fund.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 29, 2024

NEEDLES TRANSIT FUND
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS	
Current assets	
Cash and cash equivalents	$ 231,585
Due from other governments	68,956
Total current assets	300,541
Capital assets	
Depreciable	1,001,837
Accumulated depreciation	(564,140)
Total capital assets, net	437,697
Total assets	738,238
LIABILITIES	
Current liabilities	
Accounts payable	43,904
Unearned revenues	106,026
Total liabilities	149,930
NET POSITION	
Net Investment in capital assets	437,697
Unrestricted	150,611
Total net position	$ 588,308

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

NEEDLES TRANSIT FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES	
Fares	$ 33,178
Total operating revenues	33,178
OPERATING EXPENSES	
Operations	515,380
Maintenance	85
General and administration	41,676
Depreciation	77,492
Total operating expenses	634,633
Operating loss	(601,455)
NONOPERATING REVENUES	
Local Transportation Fund Article 8	387,868
Federal Transit Administration CARES Section 5311	43,000
States Transit Assistance Fund	8,464
Measure I - Senior and Disabled Subsidy	21,737
Interest income	499
Total nonoperating revenues	461,568
Loss before capital contributions	(139,887)
CAPITAL CONTRIBUTIONS	
States Transit Assistance Fund	107,737
State of Good Repair	9,095
MDAQMD AB 2766	15,000
Total capital contributions	131,832
Change in net position	(8,055)
Net position, beginning of year	596,363
Net position, end of year	$ 588,308

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

NEEDLES TRANSIT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING ACTIVITIES	
Cash received from fares	$ 33,178
Payments to vendors for services	(561,424)
Net cash used in operating activities	(528,246)
NON-CAPITAL FINANCING ACTIVITIES	
Operating grants received	552,668
Net cash provided by non-capital financing activities	552,668
CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants received	131,832
Purchase of capital assets	(104,496)
Net cash provided by capital and related financing activities	27,336
INVESTING ACTIVITIES	
Interest received	499
Net increase in cash and cash equivalents	52,257
Cash and cash equivalents, beginning of year	179,328
Cash and cash equivalents, end of year	$ 231,585

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	$ (601,455)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation expense	77,492
Changes in assets and liabilities	
Increase (Decrease) in liabilities	
Accounts payable	(4,283)
Total adjustments	73,209
Net cash used in operating activities	$ (528,246)

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

NEEDLES TRANSIT FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – GENERAL INFORMATION

The financial statements are intended to reflect the financial position, changes in financial position, and cash flows of the Needles Transit Fund (the 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 (the City), changes in its financial position, or, where applicable, its cash flows thereof for the year then ended in conformity with accounting principles generally accepted 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, and construction of facilities and buildings. The funds 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 costs 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 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 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, and 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 an 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.

NEEDLES TRANSIT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023, was $14,622,615 for the City, of which $231,585 was reported in the Transit Fund.

Cash and investments are reported at fair value. The fair value measurements are based on the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and 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 nonoperating 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.

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 Fund's 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 accounting principles generally accepted in the United States of America 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.

NEEDLES TRANSIT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Nonoperating Revenue

The Transit Fund distinguishes operating revenues from nonoperating 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. Nonoperating 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 Nonoperating Expenses

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

Software Subscriptions

The Transit Fund accounts for software subscriptions as operating expenses. In alignment with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, software subscription costs are recognized in the financial statements as expenses in the period in which they are incurred. This accounting treatment applies to subscriptions that do not meet the criteria for recognition as right-to-use assets under subscription-based information technology arrangements (SBITAs) liabilities, typically characterized by their annual or short-term renewal terms.

New Accounting Pronouncements

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. This statement does not impact the financial statements or disclosures of the Transit Fund as the Transit Fund does not have these types of transactions.

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 implemented this statement and the provisions are contained within 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 evaluated its existing software subscriptions and determined that none of them meet the criteria to be recognized as a right-of-use asset and a corresponding SBITA liability under the statement. See Note 2 for the Transit Fund's policy regarding software subscriptions.

NEEDLES TRANSIT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

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, public-private and public-public partnerships (PPPs), and SBITAs are effective for fiscal years beginning after June 15, 2022. The Transit Fund has implemented this statement and the provisions are contained within the financial statements.

Future Accounting Pronouncements

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.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The statement is effective for periods beginning after June 15, 2024. 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 Administration (FTA), funds are available to the City for preventative maintenance, operating, security, and various capital costs. Total FTA revenues recognized during the year were $43,000.

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.

NEEDLES TRANSIT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS (Continued)

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, 2023, is as follows:

	Operating Funds	Capital Funds	Total
Beginning balance, July 1, 2022	$ 60,937	$ -	$ 60,937
Gross receipts			
State Transit Assistance Fund	114,631	107,737	222,368
State of Good Repair	-	9,095	9,095
MDAQMD AB2766	-	15,000	15,000
Local Transportation Fund Article 8	357,349	-	357,349
Federal Transit Administration CARES Section 5311	43,000	-	43,000
Measure I - Senior and Disabled Subsidy	21,737	-	21,737
Interest income	499	-	499
Fares	33,178	-	33,178
Other	4,500	-	4,500
Total gross receipts	574,894	131,832	706,726
Operating expenses, less depreciation	529,805	27,336	557,141
Capital acquisitions	-	104,496	104,496
Receipts over expenses in current period	45,089	-	45,089
Amount unearned at June 30, 2023	$ 106,026	$ -	$ 106,026

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. These requirements have been waived in the current year as a result of the ongoing COVID-19 pandemic. This waiver, in line with Section 99268.9 of the Public Utilities Code, will remain in effect until the end of the 2023-24 fiscal year, with the provisions set to become inoperative on January 1, 2025.

NEEDLES TRANSIT FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 – TRANSPORTATION DEVELOPMENT ACT REQUIREMENTS (Continued)

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, 2023, is calculated as follows:

Operating expenses	$ 634,633
Less depreciation	(77,492)
Adjusted operating expenses	$ 557,141
Fare revenue	$ 33,178
Local funds used by the operator to supplement fare box revenues to satisfy the 10% fare ratio as permitted by Section 99268.19:	
Measure I	21,737
Interest income	499
Adjusted fare revenue	$ 55,414
Fare ratio	9.95%

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, is as follows:

	July 1, 2022	Additions	Deletions	June 30, 2023
Depreciable assets				
Passenger facilities	$ 495,829	$ -	$ -	$ 495,829
Vehicles under P3 - service concession arrangement	401,512	104,496	-	506,008
Total depreciable assets	897,341	104,496	-	1,001,837
Accumulated depreciation				
Passenger facilities	(121,711)	(21,759)	-	(143,470)
Vehicles under P3 - service concession arrangement	(364,937)	(55,733)	-	(420,670)
Total accumulated depreciation	(486,648)	(77,492)	-	(564,140)
Net depreciable assets	410,693	27,004	-	437,697
Total capital assets, net	$ 410,693	$ 27,004	$ -	$ 437,697

NOTE 6 – PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIPS (P3s)

GASB Statement No. 94 establishes accounting and financial reporting standards for Public-Private and Public-Public Partnerships (P3s) where the Transit Fund (the transferor) enters into contracts with operators (either governmental or nongovernmental entities) to provide public services. These services are provided through the control of the right to operate or use a nonfinancial asset for a specified period, in exchange or exchange-like transactions. Some P3s meet the definition of a service concession arrangement (SCA), which is defined in GASB Statement No. 94 as a P3 in which: (1) The operator is compensated by fees collected from third parties; (2) The Transit Fund as the transferor retains the authority to determine or modify the services provided, the recipients of these services, and the prices or rates charged; and (3) the Transit Fund is entitled to a significant residual interest in the service utility of the underlying P3 asset at the end of the arrangement. For such P3s and SCAs, the Transit Fund recognizes these arrangements under capital assets. The Transit Fund has determined that the following arrangement meets the criteria set forth in GASB Statement No. 94:

On September 10, 2019, the Transit Fund engaged in a P3 under an SCA with Transportation Concepts for the operation of a local route deviation transit service. The initial base term of this agreement commenced on October 1, 2019, and concluded on June 30, 2023. In accordance with the agreement terms, the Transit Fund retains significant residual interest in the transit service infrastructure and assets, including vehicles and related transit equipment. The agreement was further amended in April 2023, extending the service provision for an additional two-year period, ending June 30, 2025. Under this arrangement, Transportation Concepts is responsible for the day-to-day operation of the transit service, including the collection of fares, vehicle maintenance, and overall service management. The Transit Fund establishes service policy, provides the necessary vehicles, and is involved in monitoring service performance. The fare structure, as determined by the Transit Fund, includes a base one-way fare with additional charges for deviation services. Transportation Concepts remits all of the fare collections to the Transit Fund, as stipulated in the agreement.

For the period from July 1, 2023, to June 30, 2025, the Transit Fund will pay a fixed annual cost of $243,366 to Transportation Concepts. This includes a fixed hourly rate of $49.51 per Revenue Service Vehicle Hour (RSVH), in addition to the actual cost of vehicle fuel. The Transit Fund has received no upfront payments or installment payments that are required to be reported as a lease receivable or deferred inflow of resources on the financial statements. For the fiscal year 2023, the Transit Fund recognized revenue from this P3/SCA based on the accrual of fare revenue shared by Transportation Concepts in the amount of $33,178.

The underlying P3/SCA assets consist of transit vehicles, including two buses for daily route service, three buses for Dial-A-Ride service, and one backup bus, with a total historical cost of $506,008. The Transit Fund retains the right to establish service policy, ensure maintenance, and monitor performance throughout the SCA term. As of June 30, 2023, the accumulated depreciation on these vehicles is $420,670, with a depreciation expense of $55,733 recognized for the year.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 29, 2024, which is the date these financial statements were available to be issued.

OTHER INFORMATION

NEEDLES TRANSIT FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023

	Dial-A-Ride Transit	Dial-A-Ride Medical	Needles Area Transit	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 28,849	$ 41,062	$ 161,674	$ 231,585
Due from other governments	3,190	1,997	63,769	68,956
Total current assets	32,039	43,059	225,443	300,541
Capital assets				
Depreciable	247,866	-	753,971	1,001,837
Accumulated depreciation	(162,528)	-	(401,612)	(564,140)
Total capital assets, net	85,338	-	352,359	437,697
Total assets	117,377	43,059	577,802	738,238
LIABILITIES				
Current liabilities				
Accounts payable	7,262	1,299	35,343	43,904
Unearned revenue	55,543	7,666	42,817	106,026
Total liabilities	62,805	8,965	78,160	149,930
NET POSITION				
Net Investment in capital assets	85,338	-	352,359	437,697
Unrestricted	(30,766)	34,094	147,283	150,611
Total net position	$ 54,572	$ 34,094	$ 499,642	$ 588,308

NEEDLES TRANSIT FUND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Dial-A-Ride Transit	Dial-A-Ride Medical	Needles Area Transit	Total
OPERATING REVENUES				
Fares	$ 5,958	$ 1,839	$ 25,381	$ 33,178
Total operating revenues	5,958	1,839	25,381	33,178
OPERATING EXPENSES				
Operations	84,167	14,702	416,511	515,380
Maintenance	-	-	85	85
General and administration	11,814	3,884	25,978	41,676
Depreciation	19,158	-	58,334	77,492
Total operating expenses	115,139	18,586	500,908	634,633
Operating loss	(109,181)	(16,747)	(475,527)	(601,455)
NONOPERATING REVENUES				
Local Transportation Fund Article 8	73,336	-	314,532	387,868
Federal Transit Administration CARES Section 5311	-	-	43,000	43,000
States Transit Assistance Fund	-	8,464	-	8,464
Measure I - Senior and Disabled Subsidy	13,446	8,283	8	21,737
Interest income	-	-	499	499
Total nonoperating revenues	86,782	16,747	358,039	461,568
Loss before capital contributions	(22,399)	-	(117,488)	(139,887)
CAPITAL CONTRIBUTIONS				
States Transit Assistance Fund	107,737	-	-	107,737
State of Good Repair	-	-	9,095	9,095
MDAQMD AB 2766	-	-	15,000	15,000
Total capital contributions	107,737	-	24,095	131,832
Change in net position	85,338	-	(93,393)	(8,055)
Net position, beginning of year	(30,766)	34,094	593,035	596,363
Net position, end of year	$ 54,572	$ 34,094	$ 499,642	$ 588,308

NEEDLES TRANSIT FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Dial-A-Ride Transit	Dial-A-Ride Medical	Needles Area Transit	Total
OPERATING ACTIVITIES				
Cash received from fares	$ 5,958	$ 1,839	$ 25,381	$ 33,178
Payments to vendors for services	(94,749)	(19,656)	(447,019)	(561,424)
Net cash used in operating activities	(88,791)	(17,817)	(421,638)	(528,246)
NON-CAPITAL FINANCING ACTIVITIES				
Operating grants received	93,025	15,734	443,909	552,668
Net cash provided by non-capital financing activities	93,025	15,734	443,909	552,668
CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants received	107,737	-	24,095	131,832
Purchase of capital assets	(104,496)	-	-	(104,496)
Net cash provided by capital and related financing activities	3,241	-	24,095	27,336
INVESTING ACTIVITIES				
Interest received	-	-	499	499
Net increase (decrease) in cash and cash equivalents	7,475	(2,083)	46,865	52,257
Cash and cash equivalents, beginning of year	21,374	43,145	114,809	179,328
Cash and cash equivalents, end of year	$ 28,849	$ 41,062	$ 161,674	$ 231,585
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating loss	$ (109,181)	$ (16,747)	$ (475,527)	$ (601,455)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities				
Depreciation expense	19,158	-	58,334	77,492
Changes in assets and liabilities				
Increase (Decrease) in liabilities				
Accounts payable	1,232	(1,070)	(4,445)	(4,283)
Total adjustments	20,390	(1,070)	53,889	73,209
Net cash used in operating activities	$ (88,791)	$ (17,817)	$ (421,638)	$ (528,246)

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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,* SECTION 6667 OF TITLE 21 OF THE CALIFORNIA CODE OF REGULATIONS, THE TRANSPORTATION DEVELOPMENT ACT, AND CALIFORNIA GOVERNMENT CODE §8879.50 ET SEQ.

Members of City Council
City of Needles, 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 (the Transit Fund), an enterprise fund of the City of Needles, California (the City), as of and for the year ended June 30, 2023, 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 January 29, 2024. Our report included an emphasis of matter paragraph stating that the financial statements do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) relating to the Transit Fund 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 relating to the Transit Fund. Accordingly, we do not express an opinion on the effectiveness of the City's internal control relating to the Transit Fund.

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 were not identified.

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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 the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Title 21 of the California Code of Regulations, the Transportation Development Act, 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, the Transportation Development Act, 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 City's internal control or on compliance relating to the Transit Fund. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance relating to the Transit Fund. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 29, 2024

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Certified Public Accountants

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To the Members of City Council
City of Needles
Needles, California

We have audited the financial statements of the Needles Transit Fund (Transit Fund), an enterprise fund of the City of Needles, California (the City), for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards,* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 15, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The Transit Fund adopted Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*; and GASB Statement No. 99, *Omnibus 2022*, during the year ended June 30, 2023. We noted no transactions entered into by City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimate affecting the Transit Fund's financial statements was:

> Management's estimate of the useful lives of its capital assets for the purpose of calculating annual depreciation expense in Note 5 of the financial statements. We evaluated the key factors and assumptions used to develop the estimate of the useful lives of its capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements detected as a result of our audit procedures.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated January 29, 2024.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Transit Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Transit Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were not engaged to report on the Combining Statement of Net Position; Combining Statement of Revenues, Expenses, and Changes in Net Position; and Combining Statement of Cash Flows, which accompany the financial statements but are not required supplementary information (RSI). Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

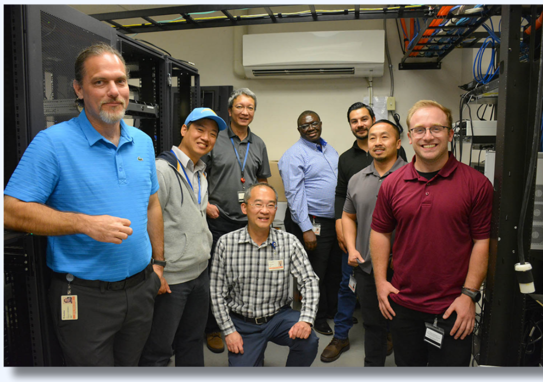
This information is intended solely for the information and use of management of the City Transit Fund and Members of the City Council, and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 29, 2024

Connecting Our Community.



Omnitrans, San Bernardino, CA

Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2023
With Comparative Totals For June 30, 2022

Omnitrans

San Bernardino, California

Annual Comprehensive Financial Report

For the Year Ended June 30, 2023
(with comparative totals for the Year Ended June 30, 2022)

Omnitrans
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For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

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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, 2023. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America and were audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Omnitrans utilizes several financial policies in guiding day to day operations and ensuring long term financial sustainability. The Board of Directors adopts an Annual Budget that is consistent with the financially constrained Short Range Transit Plan. This plan includes a five-year balanced financial forecast.

As we began the 2023-2024 fiscal year, a tight labor market impacted Omnitrans ability to operate budgeted service levels. This resulted in expenditures being lower than planned, further strengthening the Agency's current financial position. Omnitrans will build on this and remain focused on providing San Bernardino Valley residents and visitors with sustainable mobility options.

Omnitrans continues to move forward by implementing Board-approved Strategic Plan Initiatives and priorities. Highlights of significant accomplishments last year include:

- Service Resumption and Ridership Growth: Delivered 99.9% of scheduled fixed-route service while increasing service hours by 6 percent. Increased ridership by 21 percent or 6.1 million trips year over year.

- System Safety and Security: Added 288 new bus stop solar lights to enhance safety at bus stops, updated the Safety Security Emergency Preparedness Plan and established agency-wide Safety Committee.

- Customer Experience and Amenities: Implemented fare capping, procured token transit mobile fare validators and added wi-fi on all fixed route vehicles. Accessibility improvements were made at 24 bus stops and 8 additional bus stop shelters were installed.

- Community Engagement: Continued the Free Fares for School program, positively impacting the community by providing 1.1 million free rides to K-12 students throughout our service since inception.

- Compliance: Achieved positive results with "no findings" in the Federal Transit Administration Triennial Review and the State of California Transportation Development Act Triennial Review.

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 our mission is aligned with State and Federal policy and funding priorities: to provide innovative mobility solutions that connect our region and strengthen the economy.

Sincerely,

Erin Rogers
CEO/General Manager

OmniTrans

January 24, 2024

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, 2023.

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.

The Pun Group, 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, 2023, 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, 2023, are fairly represented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

continued on next page

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Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' 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 AFCRs 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 nineteen (19) 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 is 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 Beacon Economics, the Southern California economy is fundamentally strong. The major factor in the local economy will be labor shortages. As of October 2023, the unemployment rate in the local area was recorded as 5.0%. This is up from a year-ago rate of 3.8%. This compares with the unemployment rate in the state of California of 4.7% and 3.9% for the nation during the same period.

According to the Inland Empire Economic Partnership, job losses in the Logistics Industry will cause the Inland Empire economy to grow at a slower rate in the near term. The Inland Empire should expect to see growth rates below 2% in the near future.

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) 125 guides the distribution of $4 billion in the General Fund through the Transit and Intercity Rail Capital Program on a population-based formula to regional transportation planning agencies, which will have the flexibility to use the money to fund transit operations or capital improvements. The transportation budget trailer bill also establishes the $1.1 billion Zero-Emission Transit Capital Program to be allocated to regional transportation planning agencies on a population-based formula and another formula based on revenues to fund zero-emission transit equipment and operations. SB 125 includes an accountability program to govern the distribution of these funds. Omnitrans anticipates being the recipients of some of these funds to fund our projects.

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-tern 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 2023 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 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.

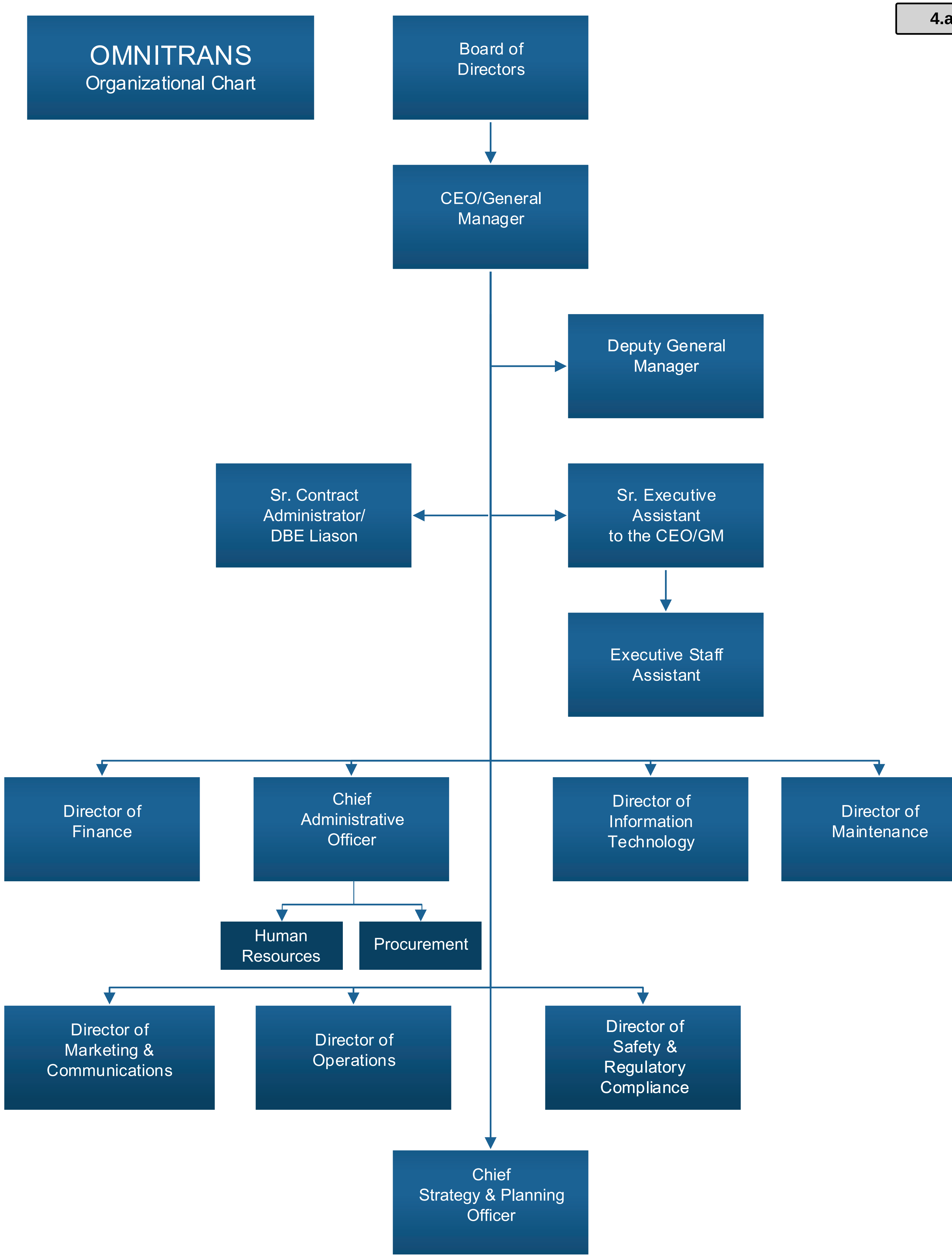
Awards and Acknowledgements

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, 2022. 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.

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
Director of Finance
Chief Administrative Officer
Director of Information Technology
Director of Maintenance
Human Resources
Procurement
Director of Marketing & Communications
Director of Operations
Director of Safety & Regulatory Compliance
Chief Strategy & Planning Officer

OMNITRANS SENIOR LEADERSHIP TEAM
(As of December 31, 2023)

Erin Rogers
CEO/General Manager

Suzanne Pfeiffer
Chief Administrative Officer

Jeremiah Bryant
Chief Strategy and Planning Officer

Maurice Mansion
Director of Finance

Micah May
Director of Information Technology

Connie Raya
Director of Maintenance

Nicole Ramos
Director of Marketing & Communications

(Vacant)
Director of Operations

(Vacant)
Director of Safety & Regulatory Compliance

BOARD MEMBERS

John Dutrey – Chair
City of Montclair

Frank Navarro – Vice Chair
City of Colton

Jesse Armendarez
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

John Roberts
City of Fontana

BOARD MEMBERS

Bill Hussey
City of Grand Terrace

Penny Lilburn
City of Highland

Ron Dailey
City of Loma Linda

Alan Wapner
City of Ontario

Kristine Scott
City of Rancho Cucamonga

Denise Davis
City of Redlands

Rafael Trujillo
City of Rialto

Helen Tran
City of San Bernardino

Bill Velto
City of Upland

Bobby Duncan
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, 2022

Christopher P. Morrill

Executive Director/CEO

PROFILE OF OMNITRANS

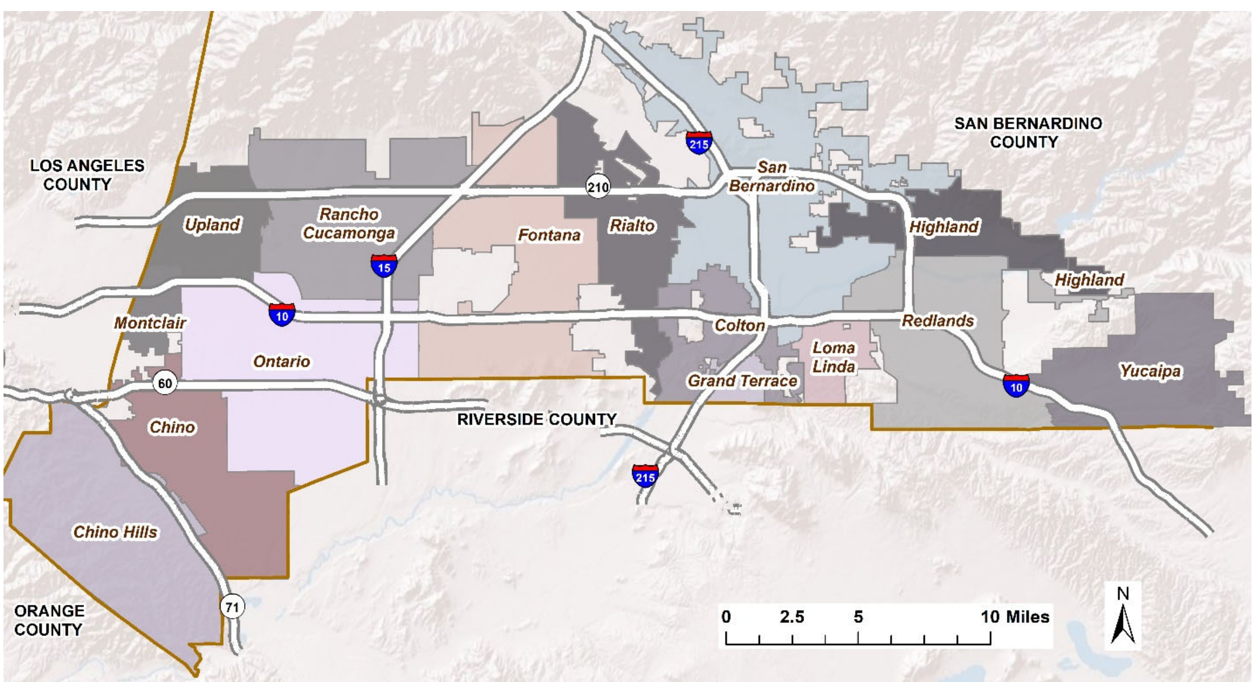
Omnitrans was founded in 1976 under a Joint Powers Agreement to provide transportation service to the San Bernardino Valley. Omnitrans is the major public transportation provider in the San Bernardino Valley, with a service area of approximately 466 square miles, serving fifteen municipalities, and many 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 2023, Omnitrans had a budgeted staff of 572 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 FY2023 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 FY2023, Omnitrans was operating 81% of regularly planned service.
- At the close of FY2023, Omnitrans operated 21 traditional local fixed routes, 5 contracted local community circulator routes, 1 bus rapid transit route and 1 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 fixed route services operate Monday through Friday with service beginning at approximately 3:30 AM and ending at 11:30 PM. On Saturdays there are 25 routes in operation with service beginning at approximately 5:00 AM and ending at 11:00 PM. On Sundays there are 22 routes in service which begin at approximately 5:00 AM and end at 11:00 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 FY2023, the sbX Green Line operated on weekdays from 5:00 AM to 11:00 PM with 15/20-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 along Interstate 215. During FY2023, 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 and continued to be suspended during FY2023 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 in Colton, Ontario Mills in Ontario, and Montclair at the Montclair Transit Center, where connections to Foothill Transit's service to eastern Los Angeles County are available.

OmniRide

- Omnitrans operates three OmniRide services. OmniRide Bloomington, OmniRide Chino Hills and OmniRide Upland. OmniRide Bloomington is partially funded through a Clean Mobility Options Voucher.
- OmniRide is a microtransit service with on-demand, reservation-based transportation. Customers can reserve rides on a mobile app or through phone reservations, then be picked up and dropped off at the locations of their choosing within the service area boundaries.
- Omnitrans partners with TransDev and RideCo to deliver the service. TransDev provides the vehicles and drivers, while RideCo is the technology provider.

FY23 Fixed-Route Service Frequency by Route compared to Plan

FY23 Fixed-Route Service Frequency by Route compared to Plan							
Route	Route Name	Service Days/Frequency					
		Weekday		Saturday		Sunday	
		Planned	FY2023	Planned	FY2023	Planned	FY202
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	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	15/20	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	30/60	30/60	60	30/60	60
290	San Bernardino-ARMC-Ontario Mills-Montclair Transit Center	AM/PM Peak	Temporary Suspended	*	*	*	*
300	SB Connect	20/30	20/30	*	*	*	*
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	*	*	*	*
380	ONT Connect	35/60	35/60	60	60	60	60
61	Fontana-Ontario Mills-Pomona	15	15/20	20	30	20	30
66	Fontana-Foothill Blvd.-Montclair	20	20	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	65	65	65	65
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	15/20	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 12 Metrolink Stations located in San Bernardino (3), Redlands, 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 Uber.
- 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

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

www.pungroup.cpa

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Omnitrans
San Bernardino, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Omnitrans, which comprise the statement of net position as of June 30, 2023 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of Omnitrans as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Emphasis of a Matter

Implementation of GASB Statement No. 96

As described in Notes 1, 5, 7 and 12 to the basic financial statements, Omnitrans implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The implementation of GASB Statement No. 96 requires Omnitrans to record intangible right-to-use subscription assets and corresponding subscription liabilities for all SBITAs in excess of one year. 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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

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 – Public Employees Retirement System (PERS), 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.

To the Board of Directors
of Omnitrans
San Bernadino, California
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Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, and statistical section but does not include the basic financial statements and our auditors' 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.

Prior-Year Summarized Comparative Information

The financial statements of Omnitrans as of and for the year ended June 30, 2022 were audited by other auditors, whose report, dated December 22, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented with the basic financial statements herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024, on our consideration of Omnitrans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Omnitrans' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

The Pun Group, LLP

Santa Ana, California
January 24, 2024

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Omnitrans
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023

As management of Omnitrans, we offer the readers of Omnitrans' financial statements this narrative overview and analysis of the financial activities for Omnitrans for the fiscal year ended June 30, 2023.

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 2023, the Statement of Net Position presents a total net position of $197.6 million. This is an increase of $1.5 million or 0.8% above the close of the previous fiscal year-end.

- Total assets at fiscal year-end 2023 decreased from $319.6 million to $304.6 million a decrease of $15.0 million or 4.7%. The increase in Depreciation /Amortizations accounts for most of the decrease.

- Total liabilities at fiscal year-end 2023 increased $17.1 million or 16.1% above the previous fiscal year. The main driver behind this was the increase in Net Pension Liability.

- Total revenues for fiscal year-end June 30, 2023 were $107.1 million compared to $103.9 million for the previous fiscal year. This is a $3.2 million or 3.1% increase in revenue compared to the previous year.

- Total expenses for fiscal year-end 2023 excluding depreciation were $83.0 million compared to $84.6. million for the previous fiscal year. This is a decrease of $1.6 million or 1.6%. The decrease in expenses is associated with costs for the Redlands Passenger Rail Project (Arrow) and pass-thru payments reported.

- Depreciation for fiscal year-end 2023 was $22.6 million compared to $22.8 million for the previous fiscal year. This is a decrease of $.2 million or 0.9%.

Overview of the Financial Statements

This annual financial report consists of two parts, Management's Discussion and Analysis, and the financial statements, including notes to the financial statements, and required supplementary information. Omnitrans financial statements offer key, high-level financial information about Omnitrans' activities.

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

The statements of net position include information on all Omnitrans' 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 Omnitrans is improving or deteriorating.

The statement of revenues, expenses and change in net position present information regarding how Omnitrans net position changed during the fiscal years ended June 30, 2023 and 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.

Financial Statements Analysis

The following tables summarize revenues, expenses and changes in net position comparing fiscal year 2023 with fiscal year 2022. For additional information regarding Omnitrans' financial activities for fiscal year ended June 30, 2023, readers are encouraged to read this section in conjunction with the accompanying Notes to the Basic Financial Statements.

Revenues and Expenses

Revenues

Omnitrans total revenues for fiscal year ending June 30, 2023, were $107.1 million compared to $103.9 million for the previous fiscal year-end. This is a $3.2 million or 3.1% increase compared to last fiscal year-end. Federal and local operating grants increased by $17.2 million compared to last fiscal year-end. Capital Assistance decreased $16.7 million over the previous year principally attributed to completion of the Arrow 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.

Omnitrans
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2023

- 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, 2023, were $7.5 million compared to $7.7 million for the previous fiscal year. This is a decrease of $.2 million or 2.6%. The decrease in passenger fares can be attributed to the slow recovery of ridership from the COVID-19 pandemic.

Interest income for Omnitrans 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, 2023, was $1.3 million compared to $(.5) million for the previous fiscal year-end.

Revenues from the Compressed Natural Gas (CNG) fuel tax credit for fiscal year ended June 30, 2023, was $1.6 million compared to $.5 million for the previous fiscal year-end.

OMNITRANS' Revenues

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Increase (Decrease)
Passenger fares	$ 7,527,114	$ 7,726,741	$ (199,627)	-2.6%
Advertising revenue	758,901	755,178	3,723	0.5%
Other Transportation Revenue	1,320	1,785	(465)	-26.1%
Federal and local operating grants	88,564,761	71,334,095	17,230,666	24.2%
Capital assistance	7,346,248	24,026,524	(16,680,276)	-69.4%
Interest Income	1,318,455	(536,684)	1,855,139	-345.7%
CNG fuel tax credit	1,583,776	525,164	1,058,612	201.6%
Other non-operating revenues/(expenses)	31,704	84,523	(52,819)	-62.5%
Total Revenues	$ 107,132,280	$ 103,917,326	$ 3,214,954	3.1%

Expenses

Total expenses for fiscal year-end 2023 were $105.7 million compared to $107.4 million for the previous fiscal year end. This is a 1.8 million or 1.6% decrease in total expenses. Included in total expenses is depreciation ($22.6 million). Also included in expenses is a $1.3 million pass-through to other agencies. The pass-through was associated with the construction of the Arrow managed by the SBCTA.

Wages, salaries, and benefits increased from $37.9 million for fiscal year-end 2022 to $45.3 million for fiscal year-end 2023. This is an increase of $7.4 million or 19.5%.

Purchased transportation services for fiscal year-end 2023 were $10.1 million compared to $9.2 million for the previous year. This is a $.9 million increase or 10.2%.

General and administrative expenses decreased $.4 million or 3.8% compared to the previous fiscal year. Total general and administrative expenses for fiscal year-end June 30, 2023, were $11.1 million compared to $11.5 million for the previous fiscal year.

Capital purchases for fiscal year-end 2023 decreased $0.5 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 the Federal Transit Authority (FTA) funding, is responsible for complying with specific FTA requirements. 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 $13.3 million or 90.9% compared to the previous fiscal year-end. The significant decrease is related to construction costs associated with the Arrow managed by SBCTA.

OMNITRANS' Expenses

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Increase (Decrease)
Wages, salaries, and benefits	$ 45,310,372	$ 37,919,825	$ 7,390,547	19.5%
Purchased transportation services	10,091,996	9,155,625	936,371	10.2%
General and administrative expenses	11,105,861	11,547,668	(441,807)	-3.8%
Materials and supplies	7,781,423	5,746,130	2,035,293	35.4%
Capital purchases	783,009	1,294,577	(511,568)	-39.5%
Professional and technical services	5,278,675	3,332,066	1,946,609	58.4%
Advertising and printing	764,433	710,958	53,475	7.5%
Pass-through to other agencies	1,326,902	14,594,588	(13,267,686)	-90.9%
Loss on disposal of capital assets	238,972	36,718	202,254	550.8%
Depreciation	22,633,034	22,836,730	(203,696)	-0.9%
Miscellaneous	340,586	244,071	96,515	39.5%
Total Expenses	$ 105,655,263	$ 107,418,956	$ (1,763,693)	19.5%

Omnitrans
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2023

Net Position

Omnitrans' total net position for fiscal year ending June 30, 2023, increased $1.5 million or 0.8% from fiscal year ended June 30, 2022. Total assets for the fiscal year decreased $15.0 million or 4.7%. This decrease in total assets was due to Omnitrans reduction in noncurrent assets at the end of the reporting period.

Total liabilities increased $17.1 million or 16.1% compared to the previous fiscal year-end. Current liabilities decreased $15.9 million or 16.9% and long-term liabilities increased $33 million or 264.1%. The increase in liabilities was mainly driven by the net pension liability.

Deferred inflows of resources related to pension as required by GASB 68 decreased $19.0 million below the previous fiscal year. For fiscal year ended June 30, 2023, deferred inflows of resources were $4.3 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 Omnitrans' net pension liability can be found in Note 9 in the Notes to the Basic Financial Statements.

OMNITRANS' Statement of Net Position

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	$ 142,887,185	$ 140,354,046	$ 2,533,139	1.8%
Net Capital Assets	161,738,538	179,230,136	(17,491,598)	-9.8%
Total Assets	304,625,723	319,584,182	(14,958,459)	-9.8%
Deferred outflow of resources:				
Deferred amount on pensions (Note 9)	20,881,681	6,406,243	14,475,438	226.0%
Total Deferred outflow of resources	20,881,681	6,406,243	14,475,438	226.0%
Liabilities:				
Current Liabilities	78,057,922	93,958,616	(15,900,694)	-16.9%
Long-term Liabilities	45,478,524	12,490,400	32,988,124	264.1%
Total Liabilities	123,536,446	106,449,016	17,087,430	264.1%
Deferred inflow of resources:				
Deferred amount on pension (Note 9)	4,336,218	23,383,687	(19,047,469)	-81.5%
Total Deferred inflow of resources	4,336,218	23,383,687	(19,047,469)	-81.5%
Net Position:				
Invested in capital assets	161,412,660	178,969,234	(17,556,574)	-9.8%
Restricted - Capital projects	5,015,409	314,460	4,700,949	1494.9%
Restricted - CTSA activities	19,679,051	5,391,341	14,287,710	265.0%
Unrestricted	11,527,620	11,482,687	44,933	0.4%
Total Net Position	$ 197,634,740	$ 196,157,722	$ 1,477,018	0.8%

Omnitrans
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2023

Changes in Net Position

The following Statement of Revenues, Expenses, and Changes in Net Position table illustrates and compares the various categories of assets, liabilities, and net position for fiscal years 2023 and 2022.

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

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Increase Decrease)
Revenues:				
Passenger fares	$ 7,527,114	$ 7,726,741	$ (199,627)	-2.6%
Advertising revenues	758,901	755,178	3,723	0.5%
Other transportation revenues	1,320	1,785	(465)	-26.1%
Total revenues	8,287,335	8,483,704	(196,369)	-2.3%
Expenses:				
Depreciation and amortization	22,633,034	22,836,730	(203,696)	-0.9%
Other operating expenses	81,451,130	69,950,920	11,500,210	16.4%
Total expenses	104,084,164	92,787,650	11,296,514	12.2%
Nonoperating Revenue/(Expenses):				
Fed. & local operating grants	88,564,761	71,334,095	17,230,666	24.2%
Interest income (loss)	1,318,455	(536,684)	1,855,139	-345.7%
Interest expenses	(5,223)	-	(5,223)	0.0%
Pass-through to other agencies (Note 4)	(1,326,902)	(14,594,588)	13,267,686	-90.9%
Loss on disposal of capital assets	(238,972)	(36,718)	(202,254)	550.8%
CNG fuel tax credit	1,583,776	525,164	1,058,612	201.6%
Other nonoperating revenues (expenses)	31,704	84,523	(52,819)	-62.5%
Total nonoperating revenues	89,927,599	56,775,792	33,151,807	58.4%
Income before capital contribution	(5,869,230)	(27,528,154)	21,658,924	-78.7%
Capital contributions:				
Capital assistance	7,346,248	24,026,524	(16,680,276)	-69.4%
Total capital contributions	7,346,248	24,026,524	(16,680,276)	-69.4%
Change in net position	1,477,018	(3,501,630)	4,978,648	-142.2%
Net position, beginning of year	196,157,722	199,659,352	(3,501,630)	-1.8%
Net position, end of year	$ 197,634,740	$ 196,157,722	$ 1,477,018	0.8%

Capital Assets and Debt Administration

Capital Assets

On June 30, 2023, Omnitrans had a total of $161.7 million invested in capital assets. This total represents an overall decrease of $17.5 million or 9.8% below the prior fiscal year-end total of $179.2 million.

OMNITRANS' Capital Assets (net of accumulated depreciation and amortization)

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Increase (Decrease)
Buildings and improvements	$ 149,464,125	$ 146,734,562	$ 2,729,563	1.9%
Operations equipment	136,991,308	139,319,314	(2,328,006)	-1.7%
Furniture and office equipment	58,966,875	58,601,369	365,506	0.6%
Construction in progress	19,737,432	19,161,350	576,082	3.0%
Land	5,505,423	5,505,423	-	0.0%
Subscription Based IT Arrangements	490,620	260,902	229,718	88.0%
Accumulated depreciation and amortization	(209,417,245)	(190,352,784)	(19,064,461)	10.0%
Total capital assets	$ 161,738,538	$ 179,230,136	$ (17,491,598)	-9.8%

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

Debt Administration

On June 30, 2023, Omnitrans had $14.3 million in long-term liabilities compared to $14.8 million at June 30, 2022. The June 30, 2023, balance decreased $.5 million or 3.5%. Claims payable decreased $.6 million or 5.5% and Compensated absences remained relatively flat.

OMNITRANS' Long-Term Liabilities

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Increase (Decrease)
Subscription liability	$ 325,878	$ 260,902	$ 64,976	24.9%
Claims payable	10,742,455	11,366,903	(624,448)	-5.5%
Compensated absences	3,257,494	3,212,142	45,352	1.4%
Total long-term liabilities	$ 14,325,827	$ 14,839,947	$ (514,120)	-3.5%

Additional information regarding Omnitrans' long-term liabilities can be found in Note 7 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, 2023, 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 Omnitrans 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 FTA 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 Omnitrans' Financial Management

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

BASIC FINANCIAL STATEMENTS

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Omnitrans
Statement of Net Position
June 30, 2023
(With Comparative Totals for June 30, 2022)

	2023	2022 (as restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,635,674	$ 1,976,203
Restricted cash and cash equivalents	61,195,041	57,477,247
Investments	62,829,447	52,199,945
Receivables:		
Accounts, net of allowance	1,876,042	2,097,986
Interest	454,961	117,685
Due from other governments	9,485,494	22,115,052
Inventory	2,833,149	3,491,888
Prepaid items	577,377	878,040
Total current assets	142,887,185	140,354,046
Noncurrent assets:		
Capital assets, nondepreciable	25,242,855	24,666,773
Capital assets, depreciable/amortizable, net	136,495,683	154,563,363
Total noncurrent assets	161,738,538	179,230,136
Total assets	304,625,723	319,584,182
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows of resources	20,881,681	6,406,243
Total deferred outflows of resources	20,881,681	6,406,243
LIABILITIES		
Current liabilities:		
Accounts payable	5,368,732	12,452,921
Accrued expenses	1,638,963	1,417,219
Unearned revenue	65,696,888	74,720,616
Due within one year:		
Subscription liability	100,549	93,187
Compensated absences	1,203,197	1,231,200
Claims payable	4,049,593	4,043,473
Total current liabilities	78,057,922	93,958,616
Noncurrent liabilities:		
Due in more than one year:		
Subscription liability	225,329	167,715
Compensated absences	2,054,297	1,980,942
Claims payable	6,692,862	7,323,430
Net pension liability	36,506,036	3,018,313
Total noncurrent liabilities	45,478,524	12,490,400
Total liabilities	123,536,446	106,449,016
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources	4,336,218	23,383,687
Total deferred inflows of resources	4,336,218	23,383,687
NET POSITION		
Net investment in capital assets	161,412,660	178,969,234
Restricted for:		
West Valley Conector Capital Projects	5,015,409	358,272
CTSA Activities	19,679,051	5,391,341
Unrestricted	11,527,620	11,438,875
Total net position	$ 197,634,740	$ 196,157,722

See accompanying notes to basic financial statements.

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Omnitrans

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022
Operating revenues:		
Passenger revenue	$ 7,527,114	$ 7,726,741
Advertising	758,901	755,178
Miscellaneous	1,320	1,785
Total operating revenues	8,287,335	8,483,704
Operating expenses:		
Salaries and benefits	45,310,372	37,919,825
Purchased transportation services	10,091,996	9,155,625
General and administrative	11,105,861	11,547,668
Materials and supplies	7,781,423	5,746,130
Capital purchases	783,009	1,294,577
Professional and technical services	5,278,675	3,332,066
Advertising and printing	764,433	710,958
Depreciation and amortization	22,633,034	22,836,730
Miscellaneous	335,361	244,071
Total operating expenses	104,084,164	92,787,650
Operating (loss)	(95,796,829)	(84,303,946)
Public support and nonoperating revenues (expenses):		
Federal and local operating grants	88,564,761	71,334,095
CNG fuel credit	1,583,776	525,164
Other nonoperating revenues	31,704	84,523
Pass-through to sub-recipients	(1,326,902)	(14,594,588)
Interest income (loss)	1,318,455	(536,684)
Interest expenses	(5,223)	-
Gain (loss) on disposal of assets	(238,972)	(36,718)
Total public support and nonoperating revenues (expenses)	89,927,599	56,775,792
Income (loss) before contributed capital	(5,869,230)	(27,528,154)
Contributed capital, net	7,346,248	24,026,524
Changes in net position	1,477,018	(3,501,630)
Net position:		
Beginning of year	196,157,722	199,659,352
End of year	$ 197,634,740	$ 196,157,722

See accompanying notes to basic financial statements.

Omnitrans
Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022 as restated
Cash Flows From Operating Activities:		
Receipts from customers and users	$ 7,527,114	$ 7,726,741
Miscellaneous operating receipts	760,221	756,963
Miscellaneous nonoperating receipts	1,615,480	609,687
Payments for insurance claims	(624,448)	(1,213,822)
Payments to suppliers	(42,265,545)	(44,254,056)
Payments to employees	(45,078,460)	(44,810,350)
Net cash (used in) operating activities	(78,065,638)	(81,184,837)
Cash Flows From Noncapital Financing Activities:		
Federal, state, and local operating grants	88,449,429	72,198,359
Pass-through payments to other agencies	(1,326,902)	(14,594,588)
Principal payments on long term debt	64,976	260,902
Interest paid	(5,223)	-
Net cash provided by noncapital financing activities	87,182,280	57,864,673
Cash Flows From Capital and Related Financing Activities:		
Gain (loss) on disposal of assets	(238,972)	(36,718)
Property acquisition	(5,141,435)	(7,214,218)
Capital grants received	10,952,078	46,410,136
Net cash provided by capital and related financing activities	5,571,671	39,159,200
Cash Flows From Investing Activities:		
Purchase (sale) of investments	(10,629,502)	4,825,622
Interest received (loss) on investments	1,318,455	(536,684)
Net cash provided by (used in) investing activities	(9,311,047)	4,288,938
Net increase in cash and cash equivalents	5,377,266	20,127,974
Cash and Cash Equivalents:		
Beginning of year	59,453,450	39,325,476
End of year	$ 64,830,716	$ 59,453,450
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:		
Cash and cash equivalents	$ 3,635,674	$ 1,976,203
Restricted cash and equivalents	61,195,041	57,477,247
Total cash and cash equivalents	$ 64,830,715	$ 59,453,450

See accompanying notes to basic financial statements.

Omnitrans
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022 as restated
Reconciliation of Operating (Loss) to Net Cash (Used In) Operating Activities:		
Operating (loss)	$ (95,796,829)	$ (84,303,946)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation and amortization	22,633,034	22,836,730
Nonoperating miscellaneous income	1,615,480	609,687
(Increase) decrease in:		
Inventory	300,663	(177,474)
Prepaid items and other current assets	658,739	(224,335)
Increase (decrease) in:		
Accounts payable	(7,084,189)	(11,821,152)
Accrued expenses	221,744	(106,206)
Aggregate net pension liability	(35,184)	(6,525,782)
Compensated absences	45,352	(258,537)
Claims payable	(624,448)	(1,213,822)
Total adjustments	17,731,191	3,119,109
Net cash (used in) operating activities	$ (78,065,638)	$ (81,184,837)

See accompanying notes to basic financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

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For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

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Omnitrans
Notes to the Financial Statements
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the Omnitrans have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB") as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of Omnitrans' accounting policies are described below.

A. Reporting Entity

Omnitrans was organized on March 8, 1976, by a joint powers agreement between the County of San Bernardino, California (the "County") 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 the 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.

B. Financial Statements

The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of Omnitrans. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The 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 when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Omnitrans distinguishes 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 Omnitrans' 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 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.

Omnitrans
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods and that, therefore, will not be recognized as an expense until that time. Omnitrans has one item that qualifies for reporting in this category. It is the deferred outflows related to pensions.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods and that, therefore, will not be recognized as revenue until that time. Omnitrans has one item that qualifies for reporting in this category. It is the deferred inflows related to pensions.

Omnitrans receives funding primarily from the following revenue sources:

Passenger Revenue

Passenger fares comprised approximately 91% of Omnitrans operating revenues for FY2023 and FY2022 respectively.

Other Operating Revenues

Omnitrans receives a variety of operating revenues that are not received directly from passenger fares. The sources of these revenues is mostly advertising.

Non–Operating Revenues

Omnitrans receives subsidies that are derived from federal, state and local tax revenues. Omnitrans does not levy or collect any tax funds, but receives allocated portions of tax funds through federal, state and local granting agencies.

Federal Transit Administration (“FTA”)

Federal Transit Administration (“FTA”) revenues are funded by a federal gas tax and revenues of the federal general fund. On November 15, 2021, the Bipartisan Infrastructure Law was signed, reauthorizing surface transportation programs through Federal FY (FFY) 2026. The legislation establishes the legal authority to commence and continue FTA programs. Each reauthorization amends the Federal Transit Laws codified in 49 USC Chapter 53. FTA funding is structured on a reimbursement basis (after expenses are incurred), and funds both the CIP and operating budgets. The reauthorization provides for the following funding streams Omnitrans commonly receives:

- Federal Transit - Formula Grants (Urbanized Area Formula Program)
- Enhanced Mobility of Seniors and Individuals with Disabilities
- National Infrastructure Investments
- Bus and Bus Facilities Formula Program

Omnitrans
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Federal Transit Administration ("FTA") (Continued)

On March 11, 2021, the President signed The American Rescue Plan Act of 2021, which provided $30.5 billion to support the nation's public transportation systems. All funds are available at 100% federal share for payroll and operations costs of public transit during the public health emergency.

Transportation Development Act ("TDA")

Transportation Development Act ("TDA") provides funding for public transit operators. This state fund is one quarter of a percent of the 7.75 percent sales tax assessed in the region. San Bernadino County Transportation Authority ("SBCTA") is responsible for apportionment of these funds within the San Bernadino region.

Measure I

Measure I was first approved in 1989 and in 2004 the County approved the extension through 2040. This state fund is the half-cent sales tax collected throughout the County for transportation improvements. SBCTA is responsible for apportionment of these funds within the San Bernadino region.

State Transit Assistance ("STA")

State Transit Assistance ("STA") funding comes from the Public Transportation Act ("PTA") which derives its revenue from the state sales tax on diesel fuels. These funds are appropriated by the legislature with a formula based upon population and local revenue generated.

STA State of Good Repair Program ("SGR")

The STA State of Good Repair Program ("SGR") Program is a supplemental funding source as a result of Senate Bill ("SB") 1 and is funded from a portion of a new Transportation Improvement Fee on vehicle registrations due on or after January 1, 2018. The funds are allocated with the same STA Program formula.

Low Carbon Transit Operations Program ("LCTOP")

The Low Carbon Transit Operations Program ("LCTOP") is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities. Approved projects in LCTOP will 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. Senate Bill 862 continuously appropriates five percent of the annual auction proceeds in the Greenhouse Gas Reduction Fund for LCTOP.

Omnitrans
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Compressed Natural Gas Rebate

Alternative fuel credits are issued by the IRS to Omnitrans for utilizing compressed natural gas to power its vehicles. This rebate program has expired then reauthorized multiple times over the years, but is currently authorized through December 31, 2024.

Transformative Climate Communities ("TCC")

The Transformative Climate Communities ("TCC") program was established by Assembly Bill ("AB") 2722 to fund the development and implementation of neighborhood-level transformative climate community plans that include multiple, coordinated greenhouse gas emissions reduction projects that provide local economic, environmental, and health benefits to disadvantaged communities as described in Section 39711 of the Health and Safety Code. TCC funds community-led development and infrastructure projects that achieve environmental, health, and economic benefits in California's most disadvantaged communities. The program is administered by the Strategic Growth Council ("SGC") and implemented by the Department of Conservation.

D. Use of Restricted/Unrestricted Assets

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

E. Cash, Cash Equivalents and Investments

For 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.

Omnitrans participates in an investment pool managed by the State of California titled Local Agency Investment Fund ("LAIF"), which has invested a portion of the pool funds in structured notes and asset–backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset–backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares.

Certain disclosures requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
    - Overall
    - Custodial Credit Risk
    - Concentration of Credit Risk

Omnitrans
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Cash, Cash Equivalents and Investments (Continued)

GASB Statement No. 72, *Fair Value Measurement and Application*, defined fair value, established a framework for measuring fair value and established disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

F. 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.

G. Inventory

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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

I. Capital Assets

Capital and subscription assets include buildings and improvements, operation equipment furniture and office equipment, and "right-to-use" subscription assets. These capital and right-to-use subscription assets are included on the financial statements and throughout this report as "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.

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

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:

Assets	Years
Building and improvements	5 to 30
Operation equipment	3 to 12
Furniture and office equipment	3 to 20

J. Subscription-Based Information Technology Arrangements ("SBITAs")

Omnitrans has a policy to recognize a Subscription-Based Information Technology Arrangements ("SBITAs") liability and a right-to-use subscription asset ("SBITA asset") in our financial statements with an initial, individual value of $2,000 or more with a subscription term greater than one year.

At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using Omnitrans' incremental borrowing rate and Omnitrans recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

Key estimates and judgments related to SBITAs include how Omnitrans determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- Omnitrans uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, Omnitrans generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

- The subscription term includes the period during which Omnitrans has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.

- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that Omnitrans is reasonably certain to exercise. Omnitrans monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported on the statement of net position.

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Unearned Revenue – Project Advances

Project advances represent proceeds from the disposition of FTA 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.

L. 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.

M. 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 nonoperating 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.

N. 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

O. 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.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 - June 30, 2022

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

P. Net Position

Net Position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

- As of June 30, 2023, Omnitrans reported $5,015,409 of restricted net position for capital projects related to the West Valley Connector Project. Refer to Note 11 to the financial statements for additional information.

- As of June 30, 2023, Omnitrans reported $19,697,051 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 – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

R. Comparative Data

Selected information from the prior fiscal year has been included in the accompanying financial statements in order to provide an understanding of changes in Omnitrans' financial position and operations. This information has been included for comparison purposes only and does not represent a complete presentation in accordance GAAP. Accordingly, such information should be read in conjunction with Omnitrans' financial statements for the year ended June 30, 2022, from which this selected financial data was derived.

S. Implementation of New GASB Pronouncements

During fiscal year ended June 30, 2023, Omnitrans has implemented the following new GASB Pronouncements:

GASB Statement No. 91 - In May 2019, GASB issued 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Implementation of this Statement did not have a significant effect on Omnitrans' financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 94 - In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Implementation of this statement did not have a significant effect on Omnitrans' financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 96 - In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of this Statement had a moderate effect on Omnitrans' financial statements for the fiscal year ended June 30, 2023.

Omnitrans
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 1 – Summary of Significant Accounting Policies (Continued)

S. Implementation of New GASB Pronouncements (Continued)

GASB Statement No. 99 - In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial 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. Implementation of this Statement did not have a moderate effect on Omnitrans' financial statements for the fiscal year ended June 30, 2023.

T. Upcoming Government Accounting Standards Implementation

In the next two years, Omnitrans will implement the following GASB Pronouncements:

GASB Statement No. 100 – In June 2022, 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. Application of this statement is effective for Omnitrans' fiscal year ending June 30, 2024.

GASB Statement No. 101 – In June 2022, 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. Application of this statement is effective for Omnitrans' fiscal year ending June 30, 2025.

Note 2 – Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments are reported in the accompanying statements of net position as follows as of June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 3,635,674	$ 1,976,203
Restricted cash and cash equivalents	61,195,041	57,477,247
Investments	62,829,447	52,199,945
Total cash, cash equivalents, and investments	$ 127,660,162	$ 111,653,395

Cash, cash equivalents, and investments consisted as follows on June 30, 2023 and 2022:

Investment Type	Measurement Input	Fair Value 2023	Fair Value 2022
Cash, cash equivalents, and investments:			
Cash on hand	N/A	$ 9,200	$ 9,200
Demand deposits	N/A	64,821,515	59,444,250
State of California - Local Agency Investment Fund	Uncategorized	62,829,447	52,199,945
Total cash, cash equivalents, and investments		$ 127,660,162	$ 111,653,395

Omnitrans

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

A. Demand Deposits

As of June 30, 2023, the carrying amount of demand deposits was $64,821,515 and the bank balance was $65,516,414, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in Omnitrans' name as discussed below.

B. 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.

Authoized Investment Type	Authoized By Investment Policy	Maximum Matuirty	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
Bankers' 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 Botes	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 / acct.

C. Risk Disclosures

<u>*Disclosures Relating to Interest Rate Risk*</u>

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 $62,829,447.

<u>*Disclosures Relating to Credit Risk*</u>

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.

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

C. Risk Disclosures (Continued)

Disclosures Relating to Credit Risk (Continued)

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, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code 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 governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 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.

D. Investment in Local Agency Investment Fund ("LAIF")

Omnitrans is a voluntary participant in the LAIF that is regulated by *California Code Section 16429* under the oversight of the Treasurer of the State of California. Omnitrans' investments with LAIF at June 30, 2023, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes – are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities – the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2023, Omnitrans had $62,829,447 invested in LAIF, which had invested 2.78% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market value is not readily available. Omnitrans values its investments in LAIF as of June 30, 2023, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. At June 30, 2023, the fair value of Omnitrans' position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is not rated by a nationally recognized statistical rating organization. LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

Omnitrans

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 3 – Federal State and Local Grants

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

A. Federal Assistance

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

B. Transportation Development Act Assistance ("TDA")

Pursuant to provisions of the 1971 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 based on annual claims filed by Omnitrans and approved by the 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, 2023 22.85% for general public transit service, and 32.22% for specialized service for the elderly and handicapped.

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).

Omnitrans' ratios for the fiscal year ended June 30, 2023 were calculated as follows:

	General Transit	Special Transit	Total
Operating expenses	$ 87,410,336	$ 14,425,787	$ 101,836,123
Less: Depreciation and amortization	(21,363,383)	(1,269,651)	(22,633,034)
Adjusted operating expenses	$ 66,046,953	$ 13,156,136	$ 79,203,089
Fare revenue	$ 7,076,890	$ 3,146,061	$ 10,222,951
Local Funds (Measure I) used by the operator to supplement fare box revenues to satisfy the fare ratio as permitted by section 99268.19	8,017,021	1,093,230	9,110,251
Adjusted fare revenue	$ 15,093,911	$ 4,239,291	$ 19,333,202
Fare ratio	22.85%	32.22%	24.41%

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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 3 – Federal State and Local Grants (Continued)

B. Transportation Development Act Assistance (Continued)

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%

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.

C. 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 SBCTA 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. The allocation and administration of Measure I is performed by SBCTA.

D. Measure I CTSA

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

E. 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, 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.

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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 3 – Federal State and Local Grants (Continued)

E. Proposition 1B (Continued)

During the fiscal years ended June 30, 2023 and 2022, Proposition 1B cash receipts and cash disbursements were as follows:

	2023	2022
Unspent Proposition 1B funds at the beginning of year ended June 30	$ 4,266,960	$ 7,224,060
Proposition 1B expenses incurred during the year ended June 30	(2,413,484)	(2,956,320)
Interest revenue earned on unspent Proposition 1B funds during the year ended June 30	8,017	6,354
Change in fair market value of investments held during the year ended June 30	-	(7,134)
Unspent Proposition 1B funds at the end of year ended June 30	$ 1,861,493	$ 4,266,960

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

F. American Rescue Plan Act of 2021 ("ARPA")

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 years ended June 30, 2023 and 2022, Omnitrans incurred eligible expenses and recognized $4,966,651 and $51,983,751 of ARPA revenue, respectively.

G. 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 years ended June 30, 2023 and 2022, State of Good Repair cash receipts and cash disbursements were as follows:

	2023	2022
Unspent State of Good Repair (SGR) funds at the beginning of the year ended June 30	$ 6,161,039	$ 4,070,512
SGR funds received during the year ended June 30	752,489	3,619,542
SGR expenses incurred during the year ended June 30	(433,504)	(1,531,199)
Interest revenue earned on unspent SGR funds during the year ended June 30	9,849	2,184
Unspent SGR funds at the end of the year ended June 30	$ 6,489,873	$ 6,161,039

The amount of unspent State of Good Repair funds noted above is included in unearned revenue on the Statement of Net Position.

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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 3 – Federal State and Local Grants (Continued)

H. Operating Assistance

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

	2023	2022
Federal Assistance	$ 4,448,600	$ 5,764,685
ARPA	4,966,651	51,983,751
Measure I	9,110,251	9,104,925
Measure I Demand Response	619,288	125,035
Measure I CTSA	1,963,031	920,000
Low Carbon Fuel Standard (Operating)	1,692,959	2,045,651
Low Carbon Transit Operating Program	996,225	1,372,604
Transformative Climate Communities	1,798,455	-
CalTrans - Local Transportation Fund TDA	62,920,372	-
Other	48,929	17,444
Total operating assistance	$ 88,564,761	$ 71,334,095

I. Capital Contributions

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

	2023	2022
Federal Assistance	$ 3,655,914	$ 15,895,722
CalTrans - Local Transportation Fund TDA	26,474	142,487
CalTrans - State Transit Assistance Fund TDA	447,109	1,069,184
Prop 1B	2,413,484	2,956,320
Measure I Capital Reimbursements	291,293	2,761,180
Other	511,974	1,201,631
Total capital contributions	$ 7,346,248	$ 24,026,524

Note 4 – 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 years ended June 30, 2023 and 2022, is summarized as follows:

	2023	2022
San Bernardino County Transportation Authority ("SBCTA")	$ 1,326,902	$ 14,594,588

Omnitrans

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 5 – Capital Assets

Summary of changes in capital assets for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022 (As Restated)	Additions	Deletions	Balance June 30, 2023
Capital assets, not depreciated				
Land	$ 5,505,423	$ -	$ -	$ 5,505,423
Construction in progress	19,161,350	5,746,173	(5,170,091)	19,737,432
Total capital assets, not depreciated	24,666,773	5,746,173	(5,170,091)	25,242,855
Capital assets, depreciated or amortized				
Building and improvements	146,734,562	2,729,565	-	149,464,127
Operating equipment	139,319,314	1,039,189	(3,367,197)	136,991,306
Furniture and office equipment	58,601,369	706,717	(341,212)	58,966,874
Subscription assets	260,902	229,717	-	490,619
Total capital assets, depreciated or amortized	344,916,147	4,705,188	(3,708,409)	345,912,926
Less accumulated depreciation or amortization				
Building and improvements	(64,185,957)	(6,297,943)	-	(70,483,900)
Operating equipment	(78,887,003)	(12,420,410)	3,227,362	(88,080,051)
Furniture and office equipment	(47,279,824)	(3,832,773)	341,212	(50,771,385)
Subscription assets	-	(81,907)	-	(81,907)
Total accumulated depreciation or amortization	(190,352,784)	(22,633,033)	3,568,574	(209,417,243)
Total capital assets, depreciated or amortized, net	154,563,363	(17,927,845)	(139,835)	136,495,683
Total capital assets, net	$ 179,230,136	$ (12,181,672)	$ (5,309,926)	$ 161,738,538

Summary of changes in capital assets for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022 (As Restated)
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 capital assets, not depreciated	29,006,339	7,968,915	(12,308,481)	24,666,773
Capital assets, depreciated or amortized				
Building and improvements	146,830,058	107,864	(203,360)	146,734,562
Operating 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
Subscription assets	-	260,902	-	260,902
Total capital assets, depreciated or amortized	338,563,305	11,758,208	(5,405,366)	344,916,147
Less accumulated depreciation or amortization				
Building and improvements	(58,281,586)	(6,107,734)	203,363	(64,185,957)
Operating 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 or amortization	(172,716,996)	(22,836,730)	5,200,942	(190,352,784)
Total capital assets, depreciated or amortized, net	165,846,309	(11,078,522)	(204,424)	154,563,363
Total capital assets and lease assets, net	$ 194,852,648	$ (3,109,607)	$ (12,512,905)	$ 179,230,136

Omnitrans
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 5 – Capital Assets (Continued)

Depreciation and amortization expense for capital assets for the years ended June 30, 2023 and 2022 was $22,633,034 and $22,836,730, respectively.

Note 6 – Unearned Revenue

At June 30, 2023 and 2022, unearned revenue consisted of the following:

	2023	2022
Local Transportation Fund received in advance	10,569,770	25,569,770
State Transit Assistance Fund received in advance	2,009,749	2,009,749
Measure I Operating funds received in advance	8,724,893	4,852,804
Measure I - CTSA funds received in advance	7,565,895	5,801,231
Proposition 1B funds received in advance	1,861,493	3,789,486
Low Carbon Transit Operating Program received in advance	6,046,670	3,540,599
STA State of Good Repair funds received in advance	6,489,873	6,041,778
West Valley Connector Project funds received in advance	20,251,577	20,205,471
Other reimbursements received in advance	2,176,968	2,909,728
Total unearned revenue	$ 65,696,888	$ 74,720,616

Note 7 – Long-Term Liabilities

Summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022 (As Restated)	Additions	Retirements	Balance June 30, 2023	Due within One Year	Due in More Than One Year
Subscription liability	$ 260,902	$ 229,717	$ (164,741)	$ 325,878	$ 100,549	$ 225,329
Compensated absences	3,212,142	2,835,888	(2,790,536)	3,257,494	1,203,197	2,054,297
Claims payable	11,366,903	2,245,886	(2,870,334)	10,742,455	4,049,593	6,692,862
Total	14,839,947	5,311,491	(5,825,611)	14,325,827	5,353,339	8,972,488

Summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022 (As Restated)	Due within One Year	Due in More Than One Year
Subscription liability	$ -	$ 260,902	$ -	$ 260,902	$ 93,187	$ 167,715
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	16,051,404	7,069,606	(8,281,063)	14,839,947	5,367,860	9,472,087

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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 7 – Long-Term Liabilities (Continued)

Subscription Liability

Omnitrans has entered into subscription-based information technology arrangements (SBITAs) for services related to cloud-based software applications, data storage and management services. Under the terms of these arrangements, Omnitrans does not take possession of the software at any time and the vendor provides ongoing services for the software's operation. The subscription periods vary, with initial non-cancellable terms ranging from 2 to 5 years. The calculated interest rate used is 2.75%.

As of June 30, 2023, the capitalized right-to-use assets related to SBITAs were $490,620 and the total subscription liability was $325,878, of which $100,549 is reported as a current liability representing the amount due within the next fiscal year.

Principal and interest payments to maturity as of June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	$ 100,549	$ 7,397	$ 107,946
2025	99,005	4,686	103,691
2026	104,873	1,885	106,758
2027	21,451	49	21,500
Total	$ 325,878	$ 14,017	$ 339,895

Note 8 – Risk Management and Self Insurance Program

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. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that 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, 2023, were estimated to be $10,742,455 and were based on an IBNR study performed in fiscal year 2022-2023. Changes in the fund claims liability amount for the last three fiscal years are as follows:

Year Ending June 30,	Beginning of Year Liability	Current year Claims and Changes in Estimates	Claim Payments	End of Year Liability	Due within One Year	Due in More Than One Year
2023	$ 11,366,903	$ 2,245,886	$ (2,870,334)	$ 10,742,455	$ 4,049,593	$ 6,692,862
2022	$ 12,580,725	$ 4,947,823	$ (6,161,645)	$ 11,366,903	$ 4,043,473	$ 7,323,430
2021	$ 11,501,911	$ 6,845,207	$ (5,766,393)	$ 12,580,725	$ 4,495,948	$ 8,084,777

Omnitrans is a member of the Association of California Public Transit Operators Joint Powers Insurance Authority (the “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.

Note 8 – Risk Management and Self Insurance Program (Continued)

At June 30, 2023, 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 9 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

Omnitrans contributes to the California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and Omnitrans ordinance. Copies of the CalPERS annual financial report may be obtained from https://www.calpers.ca.gov/page/forms-publications.

Employees Covered by Benefit Terms

At year ended June 30, the following employees were covered by the benefit terms:

	2023	2022
Active employees	512	512
Transferred and terminated employees	547	606
Retired Employees and Beneficiaries	542	512
Total	1,601	1,630

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Members hired prior to January 1, 2013 become eligible for service retirement upon attainment of age 50 with at least 5 years of credited service. Members hired on or after January 1, 2013 become eligible for service retirement upon attainment of age 52 with at least 5 years of credited service. 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 year ended June 30, 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	7.00%	7.75%

Note 9 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law ("PERL") 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, 2023 for classic and PEPRA members was 11.25% and 8.50%, respectively. For the year ended June 30, 2023, Omnitrans contributed $5,675,305 to the plan.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2021 valuation was rolled forward to determine June 30, 2022 total pension liability based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry age normal in accordance with requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance

[1]The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Change of Assumption

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
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Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

Asset Class[1]	Assumed Asset Allocation	Real Return[1,2]
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.80%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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.

Omnitrans
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Sensitivity of the Omnitrans' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Omnitrans' proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate, as well as what the Omnitrans' proportionate share of the 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:

	2023	2022
1% Decrease	5.90%	6.15%
Net Pension Liability	$ 67,754,454	$ 31,994,966
Current Discount Rate	6.90%	7.15%
Net Pension Liability	$ 36,506,036	$ 3,018,313
1% Increase	7.90%	8.15%
Net Pension Liability	$ 10,617,819	$ (21,062,499)

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the 2022 measurement period:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2021	$ 222,420,776	$ 219,402,463	$ 3,018,313
Changes in the year:			
Service cost	5,431,433	-	5,431,433
Interest on the total pension liability	15,384,725	-	15,384,725
Changes of assumptions	7,400,132	-	7,400,132
Differences between expected and actual experience	(4,040,685)	-	(4,040,685)
Benefit payments, including refunds of member contributions	(11,057,818)	(11,057,818)	-
Contributions - employer	-	5,216,389	(5,216,389)
Contributions - employee	-	2,023,848	(2,023,848)
Net investment income	-	(16,415,680)	16,415,680
Administrative expense	-	(136,675)	136,675
Net Changes	13,117,787	(20,369,936)	33,487,723
Balance at June 30, 2022 (Measurement Date)	$ 235,538,563	$ 199,032,527	$ 36,506,036

Omnitrans

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the 2021 measurement period:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2020	$ 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
Changes of assumptions	-	-	-
Differences between expected and actual experience	(3,728,873)	-	(3,728,873)
Benefit payments, including refunds of member contributions	(9,977,682)	(9,977,682)	-
Contributions - employer	-	5,139,924	(5,139,924)
Contributions - employee	-	2,094,716	(2,094,716)
Net investment income	-	40,781,907	(40,781,907)
Administrative expense	-	(181,352)	181,352
Net Changes	6,337,328	37,857,513	(31,520,185)
Balance at June 30, 2021 (Measurement Date)	$ 222,420,776	$ 219,402,463	$ 3,018,313

At June 30, 2023 and 2022, the Omnitrans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	$ 5,675,305	$ -	$ 5,216,168	$ -
Changes in assumptions	5,087,591	-	-	-
Differences between expected and actual experience	108,187	(4,336,218)	1,190,075	(3,178,239)
Differences between projected and actual earnings on pension plan investments	10,010,199	-	-	(20,205,448)
Total	$ 20,881,282	$ (4,336,218)	$ 6,406,243	$ (23,383,687)

Deferred outflows of resources related to pensions resulting from the Omnitrans' contributions made subsequent to the measurement date in the amounts of $5,675,305 and $5,216,168 will be recognized as a reduction of the collective net pension liability in the years ending June 30, 2024 and 2023, respectively.

Omnitrans

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 9 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

For the years ended June 30, 2023 and 2022, Omnitrans recognized pension expense in the amounts of $5,640,741 and ($1,316,392), respectively. At June 30, 2023 and 2022, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2023		2022	
Year Ended June 30	Amounts	Year Ended June 30	Amounts
2024	$ 1,267,230	2023	$ (5,623,834)
2025	2,410,441	2024	(6,065,076)
2026	909,608	2025	(4,921,865)
2027	6,282,480	2026	(5,582,837)
Total	$ 10,869,759	Total	$ (22,193,612)

Note 10 – Net Investment in Capital Assets

Net investment in capital assets at June 30, 2023 and 2022 is reported as follows:

	2023	2022
Capital assets, net	$ 161,738,538	$ 179,230,136
Less: subscription liabilities	(325,878)	(260,902)
Net investment in capital assets	$ 161,412,660	$ 178,969,234

Note 11 – Commitments and Contingencies

A. 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.

B. 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.

Omnitrans
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

Note 11 – Commitments and Contingencies (Continued)

C. ***Commitments***

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

Project	Amount Authorized	Cumulative Expenditures	Unexpended Commitments
Facilities Future Expansion and Remodel	$ 7,772,217	$ 6,922,292	$ 849,925
Computer Software and Hardware	641,647	352,658	288,989
Holt Bus Rapid Transit	7,943,428	7,943,428	-
Vehicle and Shop Equipment	14,239,826	4,519,053	9,720,773
Total	$ 30,597,118	$ 19,737,431	$ 10,859,687

On November 1, 2017, Omnitrans Board of Directors approved a cooperative agreement between Omnitrans and 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, 2023 and 2022 was $25,266,986 and $25,212,012, 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 $20,251,577 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 12 – Restatement of Beginning Net Position

As a result of implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* adjusting Omnitrans' capital contribution number after the prior year annual comprehensive financial report was published, net position as of July 1, 2022 was restated as follows:

Net position at July 1, 2022 as previously reported	$ 196,157,722
Subscription assets (GASB 96)	260,902
Subscription liabilities (GASB 96)	(260,902)
Net position at July 1, 2022 as restated	$ 196,157,722

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Omnitrans
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2023

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2022	2021	2020	2019	2018
Total Pension Liability					
Service Cost	$ 5,431,433	$ 5,037,154	$ 6,283,890	$ 6,192,874	$ 5,937,322
Interest on total pension liability	15,384,725	15,006,729	14,485,693	13,727,338	12,594,016
Changes in assumptions	7,400,132	-	-	-	(1,592,446)
Differences between expected and actual experience	(4,040,685)	(3,728,873)	(1,403,532)	4,435,739	2,130,851
Benefit payments, including refunds of employee contributions	(11,057,818)	(9,977,682)	(8,282,600)	(7,629,045)	(6,859,350)
Net change in total pension liability	13,117,787	6,337,328	11,083,451	16,726,906	12,210,393
Total pension liability - beginning	222,420,776	216,083,448	204,999,997	188,273,091	176,062,698
Total pension liability - ending (a)	$ 235,538,563	$ 222,420,776	$ 216,083,448	$ 204,999,997	$ 188,273,091
Plan fiduciary net position					
Contributions - employer	$ 5,216,389	$ 5,139,924	$ 5,193,463	$ 4,797,140	$ 4,312,649
Contributions - employee	2,023,848	2,094,716	2,543,478	2,594,545	2,490,292
Net investment income	(16,415,680)	40,781,907	8,732,860	10,773,154	12,784,235
Benefit payments, including refunds of employee contributions	(11,057,818)	(9,977,682)	(8,282,600)	(7,629,045)	(6,859,350)
Net plan to plan resource movement	-	-	-	-	(378)
Administrative expense	(136,675)	(181,352)	(244,737)	(116,451)	(235,515)
Other micellaneous (income)/expense	-	-	-	378	(447,247)
Net change in plan fiduciary net position	(20,369,936)	37,857,513	7,942,464	10,419,721	12,044,686
Plan fiduciary net position - beginning	219,402,463	181,544,950	173,602,486	163,182,765	151,138,079
Plan fiduciary net position - ending (b)	$ 199,032,527	$ 219,402,463	$ 181,544,950	$ 173,602,486	$ 163,182,765
Net pension liability - ending (a) - (b)	$ 36,506,036	$ 3,018,313	$ 34,538,498	$ 31,397,511	$ 25,090,326
Plan fiduciary net position as a percentage of the total pension liability	84.50%	98.64%	84.02%	84.68%	86.67%
Covered payroll	$ 27,021,141	$ 37,692,638	$ 35,702,027	$ 35,625,315	$ 34,587,684
Plan net pension liability as a percentage of covered payroll	135.10%	8.01%	96.74%	88.13%	72.54%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30,

Changes of assumptions:
*2022 - Discount rate decreased to 7.15 percent from 6.90 percent
*2018 - Demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review December 2017
*2017 - Discount rate decreased to 7.15 percent from 7.65 percent
*2015 - Discount rate increased to 7.65 percent from 7.50 percent

*Ten year historical information is not yet available

Omnitrans
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2023

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 5,619,063	$ 4,952,455	$ 4,752,183	$ 5,032,912
Interest on total pension liability	11,757,906	11,122,864	10,405,272	9,875,147
Changes in assumptions	10,060,448	-	(2,654,537)	-
Differences between expected and actual experience	(1,848,982)	(813,650)	(3,304,350)	-
Benefit payments, including refunds of employee contributions	(5,901,950)	(5,239,568)	(4,887,764)	(4,033,818)
Net change in total pension liability	19,686,485	10,022,101	4,310,804	10,874,241
Total pension liability - beginning	156,376,213	146,354,112	142,043,308	131,169,067
Total pension liability - ending (a)	$ 176,062,698	$ 156,376,213	$ 146,354,112	$ 142,043,308
Plan fiduciary net position				
Contributions - employer	$ 4,049,916	$ 3,500,671	$ 3,095,406	$ 2,857,424
Contributions - employee	2,329,577	2,067,151	2,010,360	1,892,148
Net investment income	15,133,615	734,228	2,966,348	19,522,988
Benefit payments, including refunds of employee contributions	(5,901,950)	(5,239,568)	(4,887,764)	(4,033,818)
Net plan to plan resource movement	-	-	7,386	-
Administrative expense	(200,392)	(82,121)	(151,602)	-
Other micellaneous (income)/expense	-	-	-	-
Net change in plan fiduciary net position	15,410,766	980,361	3,040,134	20,238,742
Plan fiduciary net position - beginning	135,727,313	134,746,952	131,706,818	111,468,076
Plan fiduciary net position - ending (b)	$ 151,138,079	$ 135,727,313	$ 134,746,952	$ 131,706,818
Net pension liability - ending (a) - (b)	$ 24,924,619	$ 20,648,900	$ 11,607,160	$ 10,336,490
Plan fiduciary net position as a percentage of the total pension liability	85.84%	86.80%	92.07%	92.72%
Covered payroll	$ 32,039,361	$ 30,655,864	$ 28,606,926	$ 29,286,654
Plan net pension liability as a percentage of covered payroll	77.79%	67.36%	40.57%	35.29%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30,

Changes of assumptions:
*2022 - Discount rate decreased to 7.15 percent from 6.90 percent
*2018 - Demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review December 2017
*2017 - Discount rate decreased to 7.15 percent from 7.65 percent
*2015 - Discount rate increased to 7.65 percent from 7.50 percent

*Ten year historical information is not yet available

Omnitrans
Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2023

SCHEDULE OF CONTRIBUTIONS
(LAST TEN YEARS*)

Fiscal Year Ended June 30:	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 5,947,856	$ 5,216,168	$ 5,142,944	$ 5,288,892	$ 4,795,768
Contributions in relation to the actuarially determined contribution	(5,947,856)	(5,216,168)	(5,142,944)	(5,288,892)	(4,795,768)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 27,764,222	$ 27,021,141	$ 37,692,638	$ 35,702,027	$ 35,625,315
Contributions as a percentage of covered payroll	21.42%	19.30%	13.64%	14.81%	13.46%

Notes to Schedule:

Methods and assumptions used to determine contribution rates

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021-22 were derived from the June 30, 2019 funding valuation report.

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report.
Asset valuation method	Fair value of assets
Inflation	2.500%
Salary increases	Varies based on entry age and service
Payroll growth	2.750%
Investment rate of return	7.0% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for
Mortality	The probabilities of mortality are based 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 Society of American Actuaries Scales 90% of scale MP 2016.

*Ten year historical information is not yet available

Omnitrans
Required Supplementary Information (Unaudited) (Continued)
For the Year Ended June 30, 2023

SCHEDULE OF CONTRIBUTIONS
(LAST TEN YEARS*)

Fiscal Year Ended June 30:	2018	2017	2016	2015
Actuarially determined contribution	$ 4,265,223	$ 4,041,753	$ 3,481,193	$ 3,283,410
Contributions in relation to the actuarially determined contribution	(4,265,223)	(4,041,753)	(3,481,193)	(3,283,410)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 34,587,684	$ 32,039,361	$ 30,655,864	$ 28,606,926
Contributions as a percentage of covered payroll	12.33%	12.61%	11.36%	11.48%

Notes to Schedule:

Methods and assumptions used to determine contribution rates

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021-22 were derived from the June 30, 2019 funding valuation report.

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report.
Asset valuation method	Fair value of assets
Inflation	2.500%
Salary increases	Varies based on entry age and service
Payroll growth	2.750%
Investment rate of return	7.0% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for
Mortality	The probabilities of mortality are based 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 Society of American Actuaries Scales 90% of scale MP 2016.

*Ten year historical information is not yet available

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STATISTICAL SECTION
(Unaudited)

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STATISTICAL SECTION
(Unaudited)

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.

Contents

Financial Trends
These schedules contain trend information to help the reader understand how the Omnitrans financial performance and well-being has changed over time.

Revenue Capacity
These schedules contain information to help the reader assess Omnitrans' most significant local revenue source, passenger fares.

Demographic and Economic Information
These schedules offer demographic and economic indicator to help the reader understand the environment within Omnitrans' financial activities take place.

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in Omnitrans' financial report relates to the services Omnitrans provides and the activities it performs.

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

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FINANCIAL TRENDS

Omnitrans
Net Position by Component
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Primary government:					
Net investment in capital assets	$ 161,412,660	$ 178,969,234	$ 194,852,648	$ 202,666,266	$ 200,270,564
Less: Debt offsetting capital assets	-	-	-	-	-
Total net investment in capital assets	161,412,660	178,969,234	194,852,648	202,666,266	200,270,564
Restricted - Capital projects	5,015,409	314,460	314,460	4,864,626	4,812,857
Restricted - CTSA activities	19,679,051	5,391,341	5,448,007	5,418,603	11,016,293
Unrestricted net position	11,527,620	11,482,687	(955,763)	(4,298,682)	(8,756,220)
Total primary government net position	$ 197,634,740	$ 196,157,722	$ 199,659,352	$ 208,650,813	$ 207,343,494

Source: Finance Department

Omnitrans
Net Position by Component (Continued)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Primary government:					
Net investment in capital assets	$218,134,323	$212,850,236	$204,298,178	$196,610,392	$245,580,650
Less: Debt offsetting capital assets	-	-	-	(129,101)	(268,269)
Total net investment in capital assets	218,134,323	212,850,236	204,298,178	196,481,291	245,312,381
Restricted - Capital projects	3,914,213	-	-	-	-
Restricted - CTSA activities	-	-	-	-	-
Unrestricted net position	-	976,796	7,896,427	(5,263,020)	9,379,178
Total primary government net position	$222,048,536	$213,827,032	$212,194,605	$191,218,271	$254,691,559

Source: Finance Department

Omnitrans
Changes in Net Position
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Operating revenues:					
Passenger revenue	$ 7,527,114	$ 7,726,741	$ 6,639,109	$ 11,227,212	$ 13,168,821
Advertising	758,901	755,178	645,714	685,699	774,189
Miscellaneous	1,320	1,785	23,697	69,755	55,673
Total operating revenues	8,287,335	8,483,704	7,308,520	11,982,666	13,998,683
Operating expenses:					
Depreciation and amortization	22,633,034	22,836,730	20,935,486	19,288,208	18,797,139
Other operating expenses	81,451,130	69,950,920	78,264,894	91,888,124	95,682,829
Total operating expenses	104,084,164	92,787,650	99,200,380	111,176,332	114,479,968
Non-operating revenues (expenses):					
Federal & local operating grants	88,564,761	71,334,095	70,157,677	75,325,966	84,857,421
Interest income	1,318,455	(536,684)	(23,485)	846,858	315,357
Interest expense	(5,223)	-	-	-	-
Pass-through to other agencies	(1,326,902)	(14,594,588)	(50,676,427)	(30,661,723)	(854,709)
Pass-through to CTSA community partners	-	-	(929,943)	(988,351)	(394,708)
Donation to other agency	-	-	-	-	(6,838,655)
Loss on disposal of capital assets	(238,972)	(36,718)	(665,723)	(709,129)	(1,910,005)
CNG fuel tax credit	1,583,776	525,164	966,554	3,758,891	-
Other non-operating revenues (expenses)	31,704	84,523	43,766	19,738	21,422
Total non-operating revenues	89,927,599	56,775,792	18,872,419	47,592,250	75,196,123
Income before capital contribution	(5,869,230)	(27,528,154)	(73,019,441)	(51,601,416)	(25,285,162)
Capital contributions					
Capital assistance	7,346,248	24,026,524	64,027,980	52,908,735	8,760,536
Contributions from other agencies	-	-	-	-	846,500
Total capital contributions	7,346,248	24,026,524	64,027,980	52,908,735	9,607,036
Changes in net position	1,477,018	(3,501,630)	(8,991,461)	1,307,319	(15,678,126)
Special items					
Transfer of operations	-	-	-	-	973,084
Total specail items	-	-	-	-	973,084
Net position, beginning of year	196,157,722	199,659,352	208,650,813	207,343,494	222,048,536
Prior period adjustment	-	-	-	-	-
Net Position, beginning of year, as restated	196,157,722	199,659,352	208,650,813	207,343,494	222,048,536
Net position, end of year	$ 197,634,740	$ 196,157,722	$ 199,659,352	$ 208,650,813	$ 207,343,494

Source: Finance Department

Omnitrans
Changes in Net Position (Continued)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Operating revenues:					
Passenger revenue	$ 12,677,056	$ 12,956,556	$ 13,809,102	$ 15,015,499	$ 14,368,317
Advertising	598,078	596,098	673,669	532,322	485,327
Miscellaneous	38,680	62,779	57,832	54,440	41,978
Total operating revenues	13,313,814	13,615,433	14,540,603	15,602,261	14,895,622
Operating expenses:					
Depreciation and amortization	16,540,761	16,762,307	15,222,998	12,742,411	14,899,383
Other operating expenses	86,902,089	79,318,693	70,670,842	71,365,710	65,839,285
Total operating expenses	103,442,850	96,081,000	85,893,840	84,108,121	80,738,668
Non-operating revenues (expenses):					
Federal & local operating grants	69,716,169	63,623,628	68,179,717	55,090,857	50,785,745
Interest income	167,494	52,757	172,124	43,486	44,311
Interest expense	-	-	(927)	(2,426)	(4,580)
Pass-through to other agencies	(1,690,894)	(14,232,126)	(11,531,009)	(1,297,931)	(4,459,471)
Pass-through to CTSA community partners	-	-	-	-	-
Donation to other agency	-	(27,910)	-	(72,050,046)	-
Loss on disposal of capital assets	(650,981)	-	-	-	-
CNG fuel tax credit	1,434,406	-	-	-	-
Other non-operating revenues (expenses)	352,633	922,850	1,107,516	1,032,590	118,187
Total non-operating revenues	69,328,827	50,339,199	57,927,421	(17,183,470)	46,484,192
Income before capital contribution	(20,800,209)	(32,126,368)	(13,425,816)	(85,689,330)	(19,358,854)
Capital contributions					
Capital assistance	29,021,713	35,816,686	34,402,150	37,167,461	58,935,750
Contributions from other agencies	-	-	-	-	-
Total capital contributions	29,021,713	35,816,686	34,402,150	37,167,461	58,935,750
Changes in net position	8,221,504	3,690,318	20,976,334	(48,521,869)	39,576,896
Special items					
Transfer of operations	-	-	-	-	-
Total specail items	-	-	-	-	-
Net position, beginning of year	213,827,032	212,194,605	191,218,271	254,691,559	215,114,663
Prior period adjustment	-	(2,057,891)	-	(14,951,419)	-
Net Position, beginning of year, as restated	213,827,032	210,136,714	191,218,271	239,740,140	215,114,663
Net position, end of year	$ 222,048,536	$ 213,827,032	$ 212,194,605	$ 191,218,271	$ 254,691,559

Source: Finance Department

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REVENUE CAPACITY

Omnitrans
Revenue by Source
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Passenger fares - individuals					
F/R full fares - cash	$ 1,993,456	$ 1,822,752	$ 1,736,809	$2,690,880	$3,250,699
F/R senior/disable fare - cash	472,044	436,176	382,588	478,431	569,175
F/R 1-day & 7 day full fare - pass	1,100,339	1,020,016	1,016,907	1,776,965	2,585,110
F/R 1-day & 7 day S/D fare - pass	519,469	484,629	428,802	714,675	806,385
F/R 7-day youth pass	3,972	3,810	15,578	93,529	124,634
F/R 31-day full fare - pass (less: discount)	1,591,000	2,042,796	1,353,135	2,455,560	2,313,010
F/R 31-day youth fare - pass	9,900	40,365	74,880	379,471	461,947
F/R 31-day disability fare - pass	293,944	263,640	245,970	415,099	522,033
University passes*	829,351	799,170	598,017	905,180	955,091
VET - cash	11,887	10,820	11,016	12,775	15,475
VET 31-day pass	31,458	29,119	30,229	48,460	60,935
VET 7 day pass	2,437	2,160	2,106	7,486	17,576
VET 1 day pass	5,351	6,800	5,150	9,535	10,158
Metrolink transfer	86,960	57,598	46,834	90,080	67,577
Access base fare - cash	101,460	117,353	141,357	139,051	171,457
Access base fare (3 zones) - ticket	545,364	624,364	530,021	979,726	1,161,937
Access additional (1 zone) - ticket	641	1,904	3,718	6,985	8,975
Access monthly subscription zone - pass	-	-	-	-	-
Total passenger fares - individuals	7,599,033	7,763,472	6,623,117	11,203,888	13,102,174
Special transit fares - group					
F/R 1 - trip full fare - ticket	20,770	16,592	-	-	-
OmniLink (Yucaipa) - cash	-	-	-	-	-
OmniLink (Chino Hills) - cash	-	-	-	-	-
OmniRide	20,829	23,766	8,230	-	-
OmniLink S/D fare - ticket	-	-	-	-	-
OmniLink full fare - ticket	-	-	-	-	-
OmniLink youth fare - ticket	-	-	-	-	-
OmniGo - fares**	-	-	7,762	23,324	-
Total special transit fares	41,599	40,358	15,992	23,324	-
Bus pass sales discounts	(113,518)	(77,089)	(65,947)	-	-
Net passenger fares	$ 7,527,114	$ 7,726,741	$ 6,573,162	$ 11,227,212	$ 13,102,174

* From 2014 - 2019 Omnitrans implemented GoSmart Student Pass Program.
** Starting 2018, OmniLink service was rebranded as OmniGo
Source: Finance Department

Omnitrans
Revenue by Source (Continued)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Passenger fares - individuals					
F/R full fares - cash	$3,301,892	$3,473,311	$3,920,383	$4,414,989	$4,399,894
F/R senior/disable fare - cash	588,484	548,603	577,375	557,592	447,239
F/R 1-day & 7 day full fare - pass	2,710,454	2,888,887	3,207,595	3,577,714	3,534,008
F/R 1-day & 7 day S/D fare - pass	836,285	849,267	861,302	893,643	813,797
F/R 7-day youth pass	129,652	126,818	137,774	208,442	214,219
F/R 31-day full fare - pass (less: discount)	1,294,738	1,260,680	1,354,705	1,574,959	1,419,430
F/R 31-day youth fare - pass	478,183	506,414	485,891	579,142	524,795
F/R 31-day disability fare - pass	571,081	599,932	650,869	622,658	560,936
University passes*	998,587	773,383	755,318	753,215	755,568
VET - cash	13,479	13,665	23,564	13,154	-
VET 31-day pass	67,441	70,819	61,588	41,824	-
VET 7 day pass	18,884	19,362	16,560	12,490	-
VET 1 day pass	8,266	9,714	6,310	4,394	-
Metrolink transfer	94,809	122,680	54,778	53,169	43,628
Access base fare - cash	170,373	172,695	172,367	193,297	153,870
Access base fare (3 zones) - ticket	1,330,100	1,448,556	1,466,273	1,452,471	1,291,015
Access additional (1 zone) - ticket	10,977	12,096	8,509	14,181	17,596
Access monthly subscription zone - pass	-	-	-	-	725
Total passenger fares - individuals	12,623,685	12,896,882	13,761,161	14,967,334	14,176,720
Special transit fares - group					
F/R 1 - trip full fare - ticket	-	-	-	-	-
OmniLink (Yucaipa) - cash	-	-	-	43,880	21,644
OmniLink (Chino Hills) - cash	-	-	-	2,821	18,317
OmniRide	-	-	-	-	-
OmniLink S/D fare - ticket	-	-	-	1,329	8,730
OmniLink full fare - ticket	-	-	-	-	851
OmniLink youth fare - ticket	-	-	-	81	2,070
OmniGo - fares**	53,371	59,677	47,941	54	139,985
Total special transit fares	53,371	59,677	47,941	48,165	191,597
Bus pass sales discounts	-	-	-	-	-
Net passenger fares	$ 12,677,056	$ 12,956,559	$ 13,809,102	$ 15,015,499	$ 14,368,317

* From 2014 - 2019 Omnitrans implemented GoSmart Student Pass Program.
** Starting 2018, OmniLink service was rebranded as OmniGo
Source: Finance Department

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DEMOGRAPHIC AND ECONOMIC INFORMATION

Omnitrans
Demographics and Statistics San Bernardino County
Last Ten Fiscal Years

	Population (A)	Personal Income (thousands) (B)	Per Capita Personal Income (B/A)	Median Age	School Enrollment	Average Unemployment Rate
2014	2,088,371	$ 72,007,032	$ 34,480	32.4	411,583	8.30%
2015	2,112,619	76,202,167	36,070	31.0	410,696	6.80%
2016	2,156,651	78,139,779	36,232	31.2	408,948	6.30%
2017	2,166,777	80,367,925	37,091	31.0	431,473	5.30%
2018	2,171,603	84,230,000	38,787	32.9	403,137	4.70%
2019	2,180,085	86,386,500	39,625	33.8	406,069	4.30%
2020	2,190,000	86,400,000	39,452	33.8	407,268	14.30%
2021	2,206,750	92,778,390	42,043	33.3	399,356	6.60%
2022	2,210,942	100,279,485	45,356	33.6	398,648	3.90%
2023	2,193,656	108,570,616	49,493	33.6	397,426	5.00%

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

Omnitrans
Principal Employers of San Bernardino County
Last Ten Fiscal Years

Employer	Employees	% of Total Employment	Ranking 2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Amazon Fulfillment Centers	10,000 - 20,000	1.03%	1	1	-	-	-	-	-	-	-	-
County of 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 Ten Fiscal Years

TITLE	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
Civilian Labor Force	1,900,200	1,943,400	1,972,100	1,999,500	2,037,900
Civilian Employment	1,739,600	1,808,600	1,845,500	1,890,800	1,944,000
Civilian Unemployment	160,500	134,800	126,600	108,800	93,900
Civilian Unemployment Rate	8.4%	6.9%	6.4%	5.4%	4.6%
Total, All Industries	1,299,500	1,361,400	1,409,800	1,466,000	1,520,700
Total Farm	17,500	18,400	19,000	18,900	17,900
Total Nonfarm	1,282,000	1,343,000	1,390,800	1,447,100	1,502,800
Total Private	1,050,600	1,108,600	1,146,600	1,193,800	1,241,000
Goods Producing	169,000	181,700	190,900	198,800	208,300
Mining, Logging, and Construction	78,500	86,500	93,000	100,200	108,100
Mining and Logging	1,300	1,400	900	900	1,200
Construction	77,200	85,100	92,100	99,300	106,900
Construction of Buildings	12,500	13,700	14,700	15,300	15,800
Heavy & Civil Engineering Construction	10,400	11,700	12,100	12,500	12,400
Specialty Trade Contractors	54,300	59,700	65,300	71,500	78,700
Building Foundation & Exterior Contractors	14,800	16,800	18,600	22,400	25,000
Building Equipment Contractors	18,200	20,000	23,000	24,700	27,000
Building Finishing Contractors	14,000	15,400	15,800	16,100	18,000
Manufacturing	90,500	95,200	97,900	98,600	100,200
Durable Goods	60,100	63,400	64,600	64,700	65,500
Fabricated Metal Product Manufacturing	14,200	14,700	14,500	14,300	15,100
Nondurable Goods	30,400	31,800	33,300	33,900	34,700
Service Providing	1,113,000	1,161,300	1,199,900	1,248,300	1,294,500
Private Service Providing	881,600	926,900	955,700	995,000	1,032,700
Trade, Transportation & Utilities	310,100	327,400	337,800	356,000	373,700
Wholesale Trade	58,600	60,800	62,100	62,900	66,300
Merchant Wholesalers, Durable Goods	35,500	37,200	36,900	36,800	39,300
Merchant Wholesalers, Nondurable Goods	20,200	20,900	22,100	23,100	24,000
Retail Trade	166,700	171,400	174,600	178,100	178,300
Motor Vehicle & Parts Dealer	22,300	23,600	24,600	25,800	25,900
Automotive Parts, Accessories & Tire Stores	7,200	7,400	7,400	7,600	7,500
Building Material & Garden Equipment Stores	14,100	13,700	14,200	14,500	14,800
Food & Beverage Stores	32,600	33,700	34,000	33,600	33,800
Health & Personal Care Stores	10,200	10,400	10,600	11,300	11,500
Clothing & Clothing Accessories Stores	20,000	19,500	18,900	19,300	18,800
Clothing Stores	15,600	14,900	14,100	14,300	13,900
General Merchandise Stores	33,600	34,900	36,700	36,200	35,900
Transportation, Warehousing & Utilities	84,800	95,200	101,100	115,000	129,100
Utilities	5,500	5,300	5,300	5,000	4,900
Transportation & Warehousing	79,300	89,900	95,800	110,000	124,200
Truck Transportation	23,700	25,000	25,600	26,200	26,900
General Freight Trucking	17,900	19,600	19,900	20,300	21,200
Couriers & Messengers	8,600	9,600	9,500	11,000	13,600
Warehousing & Storage	31,800	39,000	44,200	56,100	66,200
Information	11,700	11,500	12,000	11,500	11,500
Publishing Industries (except Internet)	1,800	1,600	1,500	1,400	1,600
Telecommunications	5,600	5,400	5,500	5,500	5,300
Financial Activities	43,000	43,800	44,900	44,600	44,600
Finance & Insurance	26,700	26,800	27,000	26,200	25,300
Credit Intermediation & Related Activities	15,300	15,400	14,700	14,400	13,500

Omnitrans
Riverside San Bernardino Ontario MSA
(Riverside and San Bernardino Counties)
Industry Employment & Labor Force Benchmark (Continued)
Last Ten Fiscal Years

TITLE	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23
Civilian Labor Force	2,055,300	2,103,000	2,107,300	2,151,100	2,127,700
Civilian Employment	1,966,900	1,818,800	1,930,000	2,065,200	2,021,600
Civilian Unemployment	88,400	284,200	177,300	85,900	106,000
Civilian Unemployment Rate	4.3%	13.5%	8.4%	4.0%	5.0%
Total, All Industries	1,565,400	1,470,200	1,575,700	1,673,600	1,688,700
Total Farm	19,600	17,000	15,200	18,100	17,100
Total Nonfarm	1,545,800	1,453,200	1,560,500	1,655,500	1,671,600
Total Private	1,281,100	1,209,100	1,316,200	1,398,100	1,412,500
Goods Producing	210,900	200,600	206,800	212,800	217,100
Mining, Logging, and Construction	109,500	105,700	111,700	113,400	120,300
Mining and Logging	1,200	1,300	1,400	1,400	1,600
Construction	108,300	104,400	110,300	112,000	118,700
Construction of Buildings	16,400	16,200	17,200	17,200	18,100
Heavy & Civil Engineering Construction	12,700	12,800	12,800	12,700	14,400
Specialty Trade Contractors	79,200	75,400	80,300	82,100	86,200
Building Foundation & Exterior Contractors	24,300	22,900	24,200	24,900	26,700
Building Equipment Contractors	28,400	27,100	29,900	30,100	32,500
Building Finishing Contractors	17,700	17,000	17,600	17,200	18,200
Manufacturing	101,400	94,900	95,100	99,400	96,800
Durable Goods	65,500	60,300	59,000	61,900	57,900
Fabricated Metal Product Manufacturing	15,300	14,600	13,600	13,900	13,900
Nondurable Goods	35,900	34,600	36,100	37,500	38,900
Service Providing	1,334,900	1,252,600	1,353,700	1,442,700	1,454,500
Private Service Providing	1,070,200	1,008,500	1,109,400	1,185,300	1,195,400
Trade, Transportation & Utilities	387,600	393,300	431,000	467,200	449,600
Wholesale Trade	68,100	63,800	67,000	70,100	67,500
Merchant Wholesalers, Durable Goods	40,300	37,600	39,800	40,800	40,200
Merchant Wholesalers, Nondurable Goods	24,500	23,200	23,800	24,900	23,800
Retail Trade	177,300	161,500	174,600	181,800	179,500
Motor Vehicle & Parts Dealer	25,300	22,400	24,200	25,300	26,500
Automotive Parts, Accessories & Tire Stores	7,400	7,000	7,300	7,700	8,300
Building Material & Garden Equipment Stores	14,500	15,300	16,000	16,200	15,400
Food & Beverage Stores	33,700	35,600	35,500	36,800	37,700
Health & Personal Care Stores	11,900	9,600	11,600	12,100	39,200
Clothing & Clothing Accessories Stores	17,900	10,400	14,500	15,200	12,100
Clothing Stores	13,000	7,400	10,700	11,400	14,300
General Merchandise Stores	36,100	36,300	37,600	39,000	10,800
Transportation, Warehousing & Utilities	142,200	168,000	189,400	215,300	202,600
Utilities	4,800	5,000	5,100	5,000	5,800
Transportation & Warehousing	137,400	163,000	184,300	210,300	196,800
Truck Transportation	28,100	29,100	31,300	33,500	34,100
General Freight Trucking	21,900	22,200	23,800	25,400	25,800
Couriers & Messengers	15,200	19,000	21,400	21,800	18,200
Warehousing & Storage	76,300	99,400	114,600	135,400	126,300
Information	11,600	8,700	9,900	10,000	10,100
Publishing Industries (except Internet)	1,700	1,700	1,800	1,700	1,600
Telecommunications	5,200	4,800	4,600	4,300	4,500
Financial Activities	44,700	42,900	44,400	46,700	46,800
Finance & Insurance	24,600	24,200	24,100	23,900	23,900
Credit Intermediation & Related Activities	12,800	12,800	12,500	12,000	12,000

Omnitrans
Riverside San Bernardino Ontario MSA
(Riverside and San Bernardino Counties)
Industry Employment & Labor Force Benchmark (Continued)
Last Ten Fiscal Years

TITLE	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
Depository Credit Intermediation	10,100	9,700	9,500	9,500	9,000
Nondepository Credit Intermediation	3,000	3,100	2,800	3,100	2,900
Insurance Carriers & Related	9,600	9,900	10,700	10,100	10,100
Insurance Carriers	4,100	4,100	3,900	3,500	3,100
Real Estate & Rental & Leasing	16,300	17,000	17,900	18,400	19,300
Real Estate	11,900	12,000	12,300	12,800	13,300
Professional & Business Services	134,900	144,200	142,500	145,400	150,000
Professional, Scientific & Technical Services	38,800	38,200	38,600	39,400	41,700
Management of Companies & Enterprises	8,300	8,900	9,300	8,300	8,300
Administrative & Support & Waste Services	87,800	97,100	94,600	97,700	100,000
Administrative & Support Services	84,000	93,200	91,100	93,900	95,900
Employment Services	39,700	47,700	42,700	42,900	42,300
Investigation & Security Services	12,600	12,900	14,000	15,100	15,700
Services to Buildings & Dwellings	17,800	18,600	19,300	19,600	20,300
Educational & Health Services	194,200	204,100	213,800	224,500	236,900
Educational Services	16,000	16,500	17,700	17,500	18,400
Colleges, Universities & Professional Schools	5,400	5,900	5,700	5,300	5,600
Health Care & Social Assistance	178,200	187,600	196,100	207,000	218,500
Ambulatory Health Care Services	61,700	64,700	66,900	70,600	74,100
Offices of Physicians	20,100	21,100	22,400	22,500	22,900
Hospitals	35,700	37,200	38,700	38,700	39,900
Nursing & Residential Care Facilities	24,300	24,900	25,600	25,900	27,400
Leisure & Hospitality	144,300	151,600	159,900	167,000	169,800
Arts, Entertainment & Recreation	16,800	17,400	18,300	18,700	18,500
Accommodation & Food Services	127,500	134,200	141,600	148,300	151,300
Accommodation	16,100	16,700	17,400	18,800	18,300
Food Services & Drinking Places	111,400	117,500	124,200	129,500	133,000
Restaurants	106,900	114,000	120,400	125,600	128,800
Full-Service Restaurants	45,800	47,600	49,400	50,600	51,100
Limited-Service Eating Places	61,100	66,400	71,000	75,000	77,700
Other Services	43,400	44,300	44,800	46,000	46,200
Repair & Maintenance	15,600	16,400	17,000	17,300	17,400
Personal & Laundry Services	10,900	11,500	12,000	12,700	13,000
Government	231,400	234,400	244,200	253,300	261,800
Federal Government	20,300	20,300	20,500	20,600	20,700
Department of Defense	5,800	5,800	5,700	5,600	5,700
Federal Government excluding Department of Defense	14,500	14,500	14,800	15,000	15,000
State & Local Government	211,100	214,100	223,700	232,700	241,100
State Government	28,800	29,200	30,200	30,900	31,400
State Government Education	11,800	12,000	12,800	13,400	13,500
State Government Excluding Education	17,000	17,200	17,400	17,500	17,900
Local Government	182,300	184,900	193,500	201,800	209,700
Local Government Education	107,700	110,000	116,500	122,300	128,700
Local Government Excluding Education	74,600	74,900	77,000	79,500	81,000
County	33,000	32,500	33,700	34,600	34,200
City	15,400	15,200	15,300	15,300	15,400
Special Districts plus Indian Tribes	26,200	27,200	28,000	29,600	31,400

Source: CA.Gov EDD Labor Market Info

Omnitrans
Riverside San Bernardino Ontario MSA
(Riverside and San Bernardino Counties)
Industry Employment & Labor Force Benchmark (Continued)
Last Ten Fiscal Years

TITLE	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23
Depository Credit Intermediation	9,100	9,000	8,300	7,500	8,100
Nondepository Credit Intermediation	2,200	2,100	2,500	2,400	2,200
Insurance Carriers & Related	10,000	9,800	9,600	9,500	9,800
Insurance Carriers	2,800	2,700	2,700	2,600	2,500
Real Estate & Rental & Leasing	20,100	18,700	20,300	22,800	22,900
Real Estate	14,000	13,600	14,800	16,200	16,600
Professional & Business Services	156,300	147,800	165,800	174,900	181,600
Professional, Scientific & Technical Services	43,500	41,100	44,200	48,400	52,200
Management of Companies & Enterprises	8,800	8,300	8,700	8,600	8,900
Administrative & Support & Waste Services	104,000	98,400	112,900	117,900	120,500
Administrative & Support Services	99,900	94,400	108,700	113,000	115,800
Employment Services	44,100	39,500	53,000	54,500	53,700
Investigation & Security Services	16,300	16,600	16,100	16,800	18,600
Services to Buildings & Dwellings	21,300	21,800	22,300	22,900	24,900
Educational & Health Services	248,000	242,600	252,000	262,300	277,400
Educational Services	18,600	16,400	16,700	18,100	19,900
Colleges, Universities & Professional Schools	5,400	5,200	4,900	5,700	5,200
Health Care & Social Assistance	229,400	226,200	235,300	244,200	257,500
Ambulatory Health Care Services	78,500	75,300	80,800	84,400	83,600
Offices of Physicians	23,000	22,500	23,400	24,200	25,000
Hospitals	41,400	41,400	42,100	43,000	44,400
Nursing & Residential Care Facilities	27,200	25,700	25,200	25,800	28,600
Leisure & Hospitality	175,500	135,200	162,400	179,700	179,900
Arts, Entertainment & Recreation	18,900	11,700	16,900	17,600	18,900
Accommodation & Food Services	156,600	123,500	145,500	162,100	161,000
Accommodation	18,400	11,500	13,400	15,400	15,800
Food Services & Drinking Places	138,200	112,000	132,100	146,700	145,200
Restaurants	133,600	109,800	128,600	143,100	141,100
Full-Service Restaurants	52,000	36,400	47,100	52,900	53,900
Limited-Service Eating Places	81,600	73,400	81,500	90,200	87,200
Other Services	46,500	38,000	43,900	44,500	50,000
Repair & Maintenance	17,600	16,000	17,600	18,800	20,700
Personal & Laundry Services	13,600	9,400	13,300	14,500	15,700
Government	264,700	244,100	244,300	257,400	259,100
Federal Government	21,000	21,700	21,200	20,800	21,200
Department of Defense	5,900	6,100	6,000	6,000	5,700
Federal Government excluding Department of Defe	15,100	15,600	15,200	14,800	15,500
State & Local Government	243,700	222,400	223,100	236,600	237,900
State Government	31,600	31,600	30,800	33,000	28,500
State Government Education	13,300	13,200	12,000	14,300	9,900
State Government Excluding Education	18,300	18,400	18,800	18,700	18,600
Local Government	212,100	190,800	192,300	203,600	209,400
Local Government Education	129,600	112,500	114,300	124,800	126,900
Local Government Excluding Education	82,500	78,300	78,000	78,800	82,500
County	34,500	35,600	34,000	32,300	31,400
City	15,600	14,000	14,400	15,500	16,600
Special Districts plus Indian Tribes	32,400	28,700	29,600	31,000	34,500

Source: CA.Gov EDD Labor Market Info

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Omnitrans
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 Inland Empire Economic Partnership, job losses in the Logistics Industry will cause the Inland Empire economy to grow at a slower rate in the near term. The Inland Empire should expect to see growth rates below 2% in the near future.

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 5.0 %. This is up from 3.8% from the same time last year. The region saw a rise in the unemployment rate, which is also higher than the state of California and the national averages of 4.7 and 3.9% respectively.

The rise in the unemployment rate comes from slower employment growth in the area. A reduction in national consumer expenditures following the pandemic results in fewer imports and other shipments of goods. This significantly reduces the demand for workers in the Logistics industry. The second-largest employer in the Inland Empire.

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OPERATING INFORMATION

Omnitrans
Full-Time Equivalent Employees by Function
Last Ten Fiscal Years

	2021		2020		2019	2023		2022	
Administration	3		3		4	3		3	
Operation	352		345		513	336		346	
Maintenance	99		93		105	87		92	
Information Technology	8		7		10	9		9	
Marketing	13		29		32	13		12	
Strategic Development	7		-		-	7		7	
Human Resources	6		10		11	8		9	
Safety & Security	10		5		3	3		5	******
Procurement	20		18		18	17		18	
Finance	10		10		11	10		10	
Integrated Project Mgmt. Oversight (IPMO)	-		-		-	-		-	
Rail	-		2		2	-		-	
Special Transportation Services	5		7		14	4		4	
Total Operating Expenses	532	****	529	****	723	496	****	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, Workers' Comp., etc.) employees.

****** Fleet Safety & Training moved from Safety & Security to Operations

Source: Human Resources Department

Omnitrans
Full-Time Equivalent Employees by Function (Continued)
Last Ten Fiscal Years

	2018		2017	2016		2015		2014
Administration	5		4	4		4		3
Operation	481		479	464		468		450
Maintenance	101		103	107		102		100
Information Technology	8		8	8		8		5
Marketing	32		30	30		29	*	24
Strategic Development	-		-	-		-		15
Human Resources	13		10	9		9		9
Safety & Security	3		4	4		3		3
Procurement	18		18	20		18		19
Finance	11		12	12		12		11
Integrated Project Mgmt. Oversight (IPMO)	-	****	1	3		4	**	-
Rail	2		2	-		-		-
Special Transportation Services	13		13	10	***	-		-
Total Operating Expenses	687		684	671		657		639

* 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, Workers' Comp., etc.) employees.
****** Fleet Safety & Training moved from Safety & Security to Operations
Source: Human Resources Department

Attachment: Combine TDA Reports 2023 (10395 : Transit Operators and TDA Audits for Fiscal Year 2022/2023)

Omnitrans
Operating Expense by Category
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Personnel	$ 28,414,233	$ 26,704,911	$ 25,941,626	$ 31,705,410	$ 34,946,187
Materials & Supplies	7,332,823	5,746,130	4,570,791	6,222,215	7,585,990
Casualty & Liability	7,670,437	8,798,001	8,118,892	9,308,157	7,812,623
Purchased Transportation	10,091,996	9,155,625	8,457,688	10,173,138	10,764,903
Depreciation & Other	50,574,675	42,382,983	52,111,383	53,767,412	53,370,265
Total Operating Expenses	$ 104,084,164	$ 92,787,650	$ 99,200,380	$ 111,176,332	$ 114,479,968

Source: Finance Department

Omnitrans
Operating Expense by Category (Continued)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Personnel	$ 33,842,292	$ 31,716,325	$ 28,621,780	$ 26,313,115	$ 25,505,890
Materials & Supplies	5,584,044	7,663,731	7,288,414	9,191,072	8,533,634
Casualty & Liability	7,869,167	6,379,626	3,107,806	2,851,520	1,146,301
Purchased Transportation	8,947,264	8,803,691	9,041,314	9,261,048	9,075,431
Depreciation & Other	47,200,083	41,517,627	37,834,526	36,491,366	36,477,412
Total Operating Expenses	$ 103,442,850	$ 96,081,000	$ 85,893,840	$ 84,108,121	$ 80,738,668

Source: Finance Department

Omnitrans
Operating Expense by Function
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Transportation	$ 26,139,762	$ 25,058,972	$ 24,121,692	$ 32,771,294	$ 36,377,440
Maintenance	17,137,761	15,769,466	14,649,667	15,822,177	16,931,367
Risk Management *	7,670,437	6,278,255	9,308,157	9,308,157	7,812,623
Marketing	1,799,384	1,700,015	1,581,742	1,904,206	3,381,213
General Administration	17,852,825	12,318,912	19,572,242	20,901,379	11,354,192
Depreciation & Other **	33,483,995	31,662,030	29,966,880	30,469,119	38,623,133
Total Operating Expenses	$ 104,084,164	$ 92,787,650	$ 99,200,380	$ 111,176,332	$ 114,479,968

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

Omnitrans
Operating Expense by Function (Continued)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Transportation	$ 35,768,134	$ 34,901,970	$ 34,444,699	$ 31,337,405	$ 30,149,343
Maintenance	13,788,752	15,895,286	14,588,796	16,223,257	15,213,652
Risk Management *	7,869,167	6,379,626	3,107,806	2,851,520	1,146,301
Marketing	3,282,207	3,208,490	3,126,790	2,925,275	2,411,375
General Administration	13,341,246	9,315,612	6,615,304	8,147,166	8,473,242
Depreciation & Other **	29,393,344	26,380,016	24,010,445	22,623,498	23,344,755
Total Operating Expenses	$ 103,442,850	$ 96,081,000	$ 85,893,840	$ 84,108,121	$ 80,738,668

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

Omnitrans
Capital Asset by Function
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Fixed Route:					
Buses	169	169	173	189	190
Paratransit:					
Paratransit buses	74	74	105	119	137
Paratransit vans	-	-	-	-	-
Support vehicles:					
Vans, cars & trucks	66	66	66	76	93

Source: Finance Department

Omnitrans
Capital Asset by Function (Continued)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Fixed Route:					
Buses	208	188	199	191	186
Paratransit:					
Paratransit buses	137	109	144	122	126
Paratransit vans	-	-	6	9	10
Support vehicles:					
Vans, cars & trucks	88	68	43	40	37

Source: Finance Department

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Omnitrans

San Bernadino, California

Single Audit
and Independent Auditors' Reports

For the Year Ended June 30, 2023

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Omnitrans
Single Audit Report
For the Year Ended June 30, 2023
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THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

www.pungroup.cpa

INDEPENDENT AUDITORS' 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*

To the Board of Directors
of Omnitrans
San Bernadino, 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 business-type activities and the aggregate remaining fund information of the Omnitrans, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements, and have issued our report thereon dated January 24, 2024.

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 opinions 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 were not identified.

To the Board of Directors
of Omnitrans
San Bernadino, California
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Omnitrans' basic 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*.

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.

The Pun Group, LLP

Santa Ana, California
January 24, 2024

THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

www.pungroup.cpa

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
of Omnitrans
San Bernadino, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the 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 each of Omnitrans' major federal programs for the year ended June 30, 2023. Omnitrans' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Omnitrans complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' 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 each 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 programs.

To the Board of Directors
of Omnitrans
San Bernadino, California
Page 2

Auditors' 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 generally accepted auditing standards, *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 each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Auditors' 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.

To the Board of Directors
of Omnitrans
San Bernadino, California
Page 3

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 the business-type activities and the aggregate remaining fund information of Omnitrans as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements and have issued our report thereon dated February 15, 2024 , which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on Omnitrans' financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Pun Group, LLP

Santa Ana, California
February 15, 2024 except for the Schedule of Expenditures of Federal Awards, which is as of January 24, 2024.

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Omnitrans
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor Assistance Listing Program Title	Federal Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Transportation				
Federal Transit Cluster:				
Direct Programs:				
Federal Transit Formula Grant	20.507	CA-90-Z009	$ 196,162	$ -
Federal Transit Formula Grant	20.507	CA-2017-032	229,949	-
Federal Transit Formula Grant	20.507	CA-2017-114	129,844	-
Federal Transit Formula Grant	20.507	CA-2018-040	590,948	386,631
Federal Transit Formula Grant	20.507	CA-2019-145	143,846	-
Federal Transit Formula Grant	20.507	CA-2019-169	1,203,002	-
Federal Transit Formula Grant	20.507	CA-2020-057	735,954	735,954
Federal Transit Formula Grant	20.507	CA-2020-130	65,030	-
Federal Transit Formula Grant	20.507	CA-2021-004	537,790	-
Federal Transit Formula Grant	20.507	CA-2021-212	4,523,104	-
Federal Transit Formula Grant	20.507	CA-2022-033	675,056	-
Federal Transit Formula Grant	20.507	CA-2023-143	4,003,469	-
		Subtotal 20.507	13,034,154	1,122,585
Direct Programs:				
Bus and Bus Facilities Formula Program	20.526	CA-2023-151	37,541	-
		Subtotal 20.526	37,541	-
		Federal Transit Cluster Total	13,071,695	1,122,585
Direct Programs:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	FY16 64AM18-00760	48,929	-
		Transit Services Programs Cluster Total	48,929	-
		Total U.S. Department of Transportation	13,120,624	1,122,585
		TOTAL EXPENDITURES OF FEDERAL AWARDS	$ 13,120,624	$ 1,122,585

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

Omnitrans
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1 – Reporting Entity

Omnitrans was organized on March 8, 1976, by a joint powers agreement between the County of San Bernardino, California (the "County") 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 the 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.

Note 2 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal financial assistance programs of Omnitrans. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the California Department of Transportation, is included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of Omnitrans.

Note 3 – Summary of Significant Accounting Policies

Omnitrans utilizes the accrual method of accounting to prepare its basic financial statements. The accompanying 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). Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the presentation of the Omnitrans basic financial statements. Negative amounts shown in the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 4 – Subrecipients

During the fiscal year ended June 30, 2023, Omnitrans provided federal funds to the following subrecipient:

Assistance Listing Number	Program Name / Subrecipient Names	Amount Provided to Subrecipients
20.507	San Bernadino County Transportation Authority	$ 1,122,585

Note 5 – Indirect Cost Rate

Omnitrans has elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

Note 6 – Contingencies

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

Omnitrans
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I – Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness (es) identified?	No
• Significant deficiency (ies) identified?	None Reported
Type of auditors' report issued on compliance for major 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 Assistance Listing Number(s)	Expenditures
Federal Transit Cluster	20.507/20.526	$ 13,071,695
Total Expenditures of All Major Federal Programs		$ 13,071,695
Total Expenditures of Federal Awards		$ 13,120,624
Percentage of Total Expenditures of Federal Awards		99.63%

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520?	Yes

Omnitrans
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023

Section II – Financial Statement Findings

A. Current Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2023.

B. Prior Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2022.

Section III – Federal Awards Findings and Questioned Costs

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on Omnitrans' major programs for the year ended June 30, 2023.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on Omnitrans' major programs for the year ended June 30, 2022.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

www.pungroup.cpa

January 24, 2024

To the Board of Directors
of Omnitrans
San Bernadino, California

We have audited the financial statements of Omnitrans for the year ended June 30, 2023, and have issued our report thereon dated January 24, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the scope and timing of our audit. We have communicated such information in our letter to you dated September 19, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Omnitrans are described in Note 1 to the basic financial statements.

New Accounting Standards

- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement did not have an effect on Omnitrans' financial reporting for the fiscal year ending June 30, 2023.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement did not have an effect on Omnitrans' financial reporting for the fiscal year ending June 30, 2023.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. Application of this statement had a moderate effect on Omnitrans' financial reporting for the fiscal year ending June 30, 2023.

We noted no other new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by Omnitrans during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected.

The most sensitive estimates affecting Omnitrans' financial statements were:

- Management's estimate of the fair value of investments is based on information provided by the State of California, City of San Bernadino, U.S. Treasury, and financial institutions. We agreed the fair value factor used in determining that it is reasonable in relation to the financial statements as a whole.
- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liabilities is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 1 - Summary of Significant Accounting Polices
Note 3 – Federal, State, and Local Grants
Note 7 – Long-Term Liabilities
Note 8 – Risk Management and Self Insurance Program
Note 9 – Defined Benefit Pension Plan
Note 11 – Commitments and Contingencies
Note 12 – Restatement of Net Position

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

To the Board of Directors
of Omnitrans
San Bernadino, California
Page 3

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 24, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the MD&A, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions, which are Required Supplementary Information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Introductory and Statistical Sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

<u>Restriction on Use</u>

This information is intended solely for the use of the Omnitrans 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.

Very truly yours,

The Pun Group, LLP

Santa Ana, California

Omnitrans

San Bernadino, California

Independent Accountants' Report on Agreed-Upon Procedures Applied to the Omnitrans' Compliance with the National Transit Database Reporting of the Federal Funding Allocation Statistics Form

For the Year Ended June 30, 2023

THE PUN GROUP
ACCOUNTANTS & ADVISORS

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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Santa Ana, California 92707

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
of the Omnitrans, San Bernardino, CA,
and the Federal Transit Administration

We have performed the procedures enumerated in the attached Schedule of Agreed-Upon Procedures (the "Schedule"), on the data contained in the Federal Funding Allocation Statistics Form ("FFA-10") for the year ended June 30, 2023. Omnitrans is responsible for the FFA-10.

Omnitrans has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating the Transit Fund's compliance with regard to the data reported and the information included in its FFA-10 for the year ended June 30, 2023, prepared in accordance 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, January 15, 1993 and as presented in the National Transportation Database ("NTD") 2023 *NTD Policy Manual* (the "Manual"). 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 listed in the Schedule were applied separately to each of the following modes:

- Directly Operated – Motor Bus (MBDO)
- Purchased Transportation – Motor Bus (MBPT)
- Purchased Transportation – Demand Response (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. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. 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 FFA-10 for the year ended June 30, 2023. 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 Federal Transit Administration (FTA), Members 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.

The Pun Group, LLP

Santa Ana, California
February 15, 2024

The agreed-upon procedures and associated responses are as follows:

Procedures Performed:

a. Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in Section 49 CFR Part 630 and as presented in the 2023 *NTD Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

   Response: We discussed the procedures related to the system 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 2023 *NTD Policy Manual* with the responsibility for supervising the NTD data preparation and maintenance. We obtained and read a copy of the written procedures related to the system for reporting and maintaining data and noted that those responsible for reporting to NTD represent that they are aware of the requirements 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 *2023 NTD Policy Manual* and Omnitrans follows the procedures set forth within, as they are in possession of a copy of the *2023 NTD Policy Manual*. No exceptions were noted as a result of applying this procedure.

b. Discuss the procedures (written or informal) with the personnel assigned responsibility of 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 they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in Section 49 CFR Part 630 and as presented in the 2023 *NTD Policy Manual*.

   Response: We discussed with various personnel and reviewed Omnitrans written procedures noted in item "a" above to determine that Omnitrans' MBDO, MBPT and DRPT services followed the procedures on continuous basis and transit personnel responsible for supervising the preparation and maintenance of NTD data believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements. No exceptions were noted as a result of applying the procedure.

c. Inquire of same personnel concerning the retention policy that is followed by the transit agency with respect to source documents supporting the NTD data reported on the FFA-10.

   Response: We noted that the retention policy that is followed by Omnitrans regarding source documents supporting the FFA-10 data reported are retained for a minimum of three years by Omnitrans. No exceptions were noted as a result of applying this procedure.

d. Based on a description of the transit agency's procedures obtained in items a. and b. above, identify all the source documents which are to be retained by the transit agency 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.

   Response: We identified the source documents that are to be retained by Omnitrans for a minimum of three years. 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	• September 2022, January 2023, and June 2023. • 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	• September 2022, January 2023, and June 2023. • 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	• September 2022, January 2023, and June 2023. • Three years of data were noted to be archived on Omnitrans' network.

No exceptions were noted as a result of applying this procedure.

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.

Response: 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 Service Planning Manager for the MBDO and MBPT modes and the Purchased Transportation Administrator for the DRPT mode. No exceptions were noted as a result of applying this procedure.

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 the supervisors' reviews are documented.

Response: 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 these 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 2023 and noted signature evidence of the Director of Finance review. No exceptions were noted as a result of applying this procedure.

g. Obtain the worksheets utilized by the transit agency to prepare the final data that are transcribed onto the FFA-10. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summarizations.

Schedule of Agreed-Upon Procedures
Page 4

Response: 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.

h. Discuss the transit agency's procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure used is (1) one of the two procedures suggested by FTA and described in FTA Circulars 2710.1A or 2710.2A; (2) a 100% count of actual PMT; (3) an alternative sampling procedure (if the transit agency uses an alternative sampling procedure, inquire whether the procedure has been approved by FTA's statistical requirements. Note as a negative Response in the report the use of an alternative sampling procedure that has not been approved in writing by a qualified statistician); (4) the NTD Sampling Method.

Response: 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 2023 Policy Manual for the MBDO, MBPT, and DRPT modes. No exceptions were noted as a result of applying this procedure.

i. Discuss with transit agency staff the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets one of the three criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:

1. According to the 2010 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
2. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
3. The service is purchased from a seller operating fewer than 100 revenue vehicles in annual maximum revenue service and is included in the transit agency's NTD report.
4. For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2014) and determine that statistical sampling was conducted and meets the 95% confidence and ± 10% precision requirements.
5. Determine how the transit agency estimated annual PMT for the current report year.

Response: Omnitrans sampled all three modes in the current year and did not utilize the three year sampling option allowed for transportation modes. No exceptions were noted as a result of applying this procedure.

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.

Response: 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. No exceptions were noted as a result of applying this procedure.

k. Select a random sample of the source documents for accumulating PMT data and determine that they 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 accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

Response: We obtained the PMT Summary Reports for the months of September 2022, January 2023, and June 2023, and reviewed for arithmetical accuracy. No exceptions were noted as a result of applying this procedure.

l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual 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.

   Response: Based on our inquiry with Omnitrans personnel, Omnitrans does not have charter, school bus, or other ineligible vehicle miles. Therefore, a method for excluding such activity is not applicable.

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 vehicle revenue miles. Test the arithmetical accuracy of the summarization.

   - 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 summarization of intermediate accumulations.

   - 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's definitions.

   Response: 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 obtained the fixed route schedules and the actual mileage reports and verified the actual amounts were reasonable compared to the fixed route schedule. We recalculated the difference between the MBPT VRMs and compared them to amounts used in the total VRM without exception. No exceptions were noted as a result of applying the procedure. 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 noted that the deadhead miles were not included in the Revenue Miles calculations without exception. No exceptions were noted as a result of applying the procedure.

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

   Response: We inquired of personnel the procedures in which Omnitrans accumulates actual VRMs for rail modes. We noted that Omnitrans does not provide such service. Therefore, the procedure was not applicable.

o. If fixed guideway or high intensity bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting the NTD data to determine whether the operations meet FTA's definition of fixed guideway (FG) or High Intensity Bus (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
     - Access is restricted
     - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and

- Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP) carpools) must demonstrate safe operation (see Fixed Guideway Segments form (S-20))
- High Occupancy/Toll (HO/T) lanes meet FTA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the U.S. Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.

Response: We inquired of personnel the procedures in which Omnitrans reports VRMs, passenger miles, and operating expenses for fixed guideways segments. We noted that the MBDO service operates over exclusive access rights-of way (ROW) meeting the FTA's definition of fixed guideways. No exceptions were noted as a result of applying the procedure.

p. Discuss the measurement of fixed guideway FG and HIB DRM with the person reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of FG/HIB and DRM. Inquire whether there were 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 directional route miles DRMs, and reconcile the total to the FG/HIB DRM reported on the FFA-10.

Response: We determined that the mileage was computed in accordance with the FTA definitions of FG DRM. Per inquiry with the Service Planning 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. No exceptions were noted as a result of applying the procedure.

q. The auditor should inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a fixed guideway (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 the validation analyst to discuss. FTA will make a determination on how the DRMs should be reported.

Response: Per inquiry of the Service Planning Manager, there were no temporary interruptions in transit service during the report year. No exceptions were noted as a result of applying the procedure.

r. Measure FG/HIB DRM from maps or by retracing route.

Response: We recalculated the length of all fixed guideway directional routes for the MBDO mode of service using publicly available maps without exception. No exceptions were noted as a result of applying the procedure.

s. Discuss with the person reporting the NTD data 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 FFA-10 form. Each transit agency should report the actual VRM, PMT and OE for the service operated over the same FG/HIB.

Response: We interviewed the Service Planning Manager and noted that no other public transit agencies operate service over the same DRMs as Omnitrans. No exceptions were noted as a result of applying the procedure.

t. Review the FG/HIB segments (S-20) form. Discuss the Agency Revenue Service Start Date for any segments added in the 2023 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 2023 report year, the Agency Revenue Service Date must occur within the transit agency's 2023 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 seven-year age requirement for FG/HIB 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.

   Response: We inquired of personnel the procedures for revenue service for each FG/HIB segment. Omnitrans did not add any new segments during the 2023 report year. Therefore, the procedure was not applicable.

u. Compare operating expenses with audited financial data, after reconciling items are removed.

   Response: We compared the operating expenses, as reported on the NTD Operating Expenses Summary Form (Form F-40), to operating expenses recorded in Omnitrans' financial accounting system after adjusting for reconciling items. No exceptions were noted as a result of applying this procedure.

v. If the transit agency purchases transportation services, interview the personnel reporting the NTD data regarding the amount of purchased transportation (PT) generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form (B-30).

   Response: We inquired of transit personnel reporting the NTD data regarding the amount of PT generated fare revenues. The purchased transportation fare revenues equaled the amount reported on the B-30. No exceptions were noted as a result of applying the procedure.

w. If the transit agency's report contains data for PT services, and assurances of the data for those services is not included, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation Data of the PT service. Attach a copy of the statement to the report, if required. Note as an exception if the transit agency does not have an Independent Auditor Statement (IAS) for the PT data.

   Response: No procedures were performed as assurances over the PT services data are included in procedures "a" through "v" above.

x. If the transit agency purchases transportation services, obtain a copy of the purchased transportation 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.

   Response: We obtained a copy of the PT contract and noted that the contract (1) specifies the specific public transportation services to be provided; (2) specifies the monetary consideration obligated by the transit agency or governmental unit contracting for the service; (3) specifies 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 (4) is signed by representatives of both parties to the contract. We inquired of the person responsible for maintaining the NTD data regarding the retention of the executed contracts, and obtained copies of the contracts and applicable amendments, noting that contracts and modifications are retained 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.

Response: We inquired of personnel the procedures for services in more than one UZA. Omnitrans is an urbanized area provider only. Therefore, the procedure was not applicable.

z. Compare the data reported on the FFA-10 to comparable data for 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%, 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.

Response: The following fluctuations were noted for the data that will be reported on the FFA-10 Form:

- A 4.3% increase for Actual Vehicle Revenue Miles for MBDO
- A 15.1% increase for Passenger Miles for MBDO
- A 3.8% increase for Operating Expenses for MBDO
- A 1.8% decrease for Actual Vehicle Revenue Miles for MBPT
- A 10.6% decrease for Passenger Miles for MBPT
- A 11.2% increase for Operating Expenses for MBPT
- A 6.3% increase for Actual Vehicle Revenue Miles for DRPT
- A 22.1% increase for Passenger Miles for DRPT
- A 22.4% increase for Operating Expenses for DRPT

A 15.1% increase for Passenger Miles for MBDO was noted. Per inquiry with the Service Planning Manager, the increase was due to the general return of riders which increased the passenger miles traveled. In addition, Omnitrans has not reinstated 100% of planned services and continues to slowly increase services as they come out of the pandemic.

A 10.6% decrease for Passenger Miles and 11.2% increase for Operating Expenses for MBPT was noted. Per inquiry with the Purchased Transportation Administrator, Omnitrans implemented two new routes (Route 300 & Route 380) into MBPT service in October 2022 and August 2022, respectively. Each of these routes is a first-last mile shuttle connecting a rail station that are demonstrably shorter than Omnitrans other routes. Route 300 has a total round-trip distance of 2.45 miles and Route 380 has a total round-trip distance of 9.49 miles. In 2022, Omnitrans average MBPT route had an average round trip distance of 21.27. While round trip distance isn't the same as average trip length, the fact that the two new routes were significantly shorter routes did significantly reduce average trip length as these are two of five routes operated in FY2023 as MBPT.

A 22.1% increase for Passenger Miles and 22.4% increases for Operating Expenses for DRPT was noted. Per inquiry with the Accounting Manager, the increase was a result of ridership increase which reflects in the increase of Passenger Miles. Because the service cost is proportional to the output, the increase is reflected in the operating expenses as well. In addition, Omnitrans has started a new program with the CTSA and community partners with costs reimbursements, which is included in the Operating 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.

Response: We have documented the procedures followed based on the FTA 2023 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.

Omnitrans

San Bernadino, California

Independent Auditors' Report
On Proposition 1B Schedule of
Unspent Funds and Cash Disbursements

For the Year Ended June 30, 2023

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Omnitrans
Proposition 1B Report
For the Year Ended June 30, 2023
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THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

www.pungroup.cpa

INDEPENDENT AUDITORS' REPORT ON N PROPOSITION 1B SCHEDULE OF UNSPENT FUNDS AND CASH DISBURSEMENTS

To the Board of Directors
of Omnitrans
San Bernadino, 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, which comprise the statement of net position as of June 30, 2023 and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Omnitrans' basic financial statements, and have issued our report thereon dated January 24, 2024.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Proposition 1B Schedule of Unspent Funds and Cash Disbursements is presented for the 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Pun Group, LLP

Santa Ana, California
January 24, 2024

Omnitrans
Schedule of Unspent Funds and Cash Disbursements
For the Year Ended June 30, 2023

	PTMISEA[1]	Total
Unspent Proposition 1B funds at June 30, 2022	$ 4,266,960	$ 4,266,960
Proposition 1B expenses incurred during the year ended June 30, 2023	(2,413,484)	(2,413,484)
Interest revenue earned on unspent Proposition 1B funds during the year ended June 30, 2023	8,017	8,017
Change in fair market value of investments held during the year ended June 30, 2023	-	-
Unspent Proposition 1B funds at June 30, 2023	$ 1,861,493	$ 1,861,493

[1]Public Transportation, Modernization, Improvement, and Service Enhancement Account

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CITY OF ONTARIO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2023 and 2022

CITY OF ONTARIO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2023 and 2022

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Crowe LLP
Independent Member Crowe Global

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 (TDA) Article 3 Fund (TDA Fund) of the City of Ontario, California (City), as of and for the year ended June 30, 2023, 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 consolidated financial position of TDA Fund of the City, as of June 30, 2023, 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.

Other Matter

The financial statements of the TDA Fund of the City for the year ended June 30, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on December 19, 2022.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund, a governmental fund, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, or the changes in its financial position 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.

(Continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

(Continued)

Additional Information

Management is responsible for the accompanying schedule of allocations received and expended, by project year (the "additional information"), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described 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 7, 2024, 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.

Crowe LLP

Crowe LLP

Los Angeles, California
February 7, 2024

CITY OF ONTARIO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2023 and 2022

	Article 3	
	2023	2022
ASSETS		
Accounts receivable	$ -	$ -
Total assets	$ -	$ -
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other City funds	$ 85,484	$ 85,484
Fund balance (deficit)		
Unassigned	(85,484)	(85,484)
Total liabilities and fund balance	$ -	$ -

See notes to financial statements.

CITY OF ONTARIO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Years Ended June 30, 2023 and 2022

	Article 3	
	2023	2022
Revenues		
TDA allocation	$ -	$ 233,387
Expenditures		
TDA expenditures	-	-
Net change in fund balance	-	233,387
Fund balance (deficit), beginning of year	(85,484)	(318,871)
Fund balance (deficit), end of year	$ (85,484)	$ (85,484)

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, 2023, 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. No expenditures were incurred for the fund in the current year.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting: The Article 3 TDA Fund is accounted for within the City's special revenue fund (California Highway Users Tax Fund).

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. Expenditures generally are recorded when a liability is incurred.

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 TDA Article 3 fund. When expenditures incurred for specific purposes exceed he 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 OTHER CITY FUNDS

Due to other City funds of $85,484 represents expenditures paid by the City's general fund in excess of TDA allocations in previous years. The City plans to record an additional funding from Highway User Tax monies for the equivalent amount in the next fiscal year, which will eliminate the payable.

NOTE 4 – DEFICIT FUND BALANCE

The TDA Fund reported a deficit fund balance of $85,484. This represents expenditures incurred that exceeded the amounts received for the TDA activity, on completed projects. The City plans to record an additional funding from Highway User Tax monies for the equivalent amount in the next fiscal year, to eliminate the deficit.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONTARIO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL – TDA ARTICLE 3 FUND
Years ended June 30, 2023 and 2022

	Budget			Variance From Final Budget Positive
	Original	Final	Actual	(Negative)
June 30, 2023				
Revenues				
TDA allocation	$ -	$ -	$ -	$ -
Net change in fund balance	-	-	-	-
Fund balance (deficit), beginning of year	(85,484)	(85,484)	(85,484)	-
Fund balance (deficit), end of year	$ (85,484)	$ (85,484)	$ (85,484)	$ -
June 30, 2022				
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)	$ -

See Note to Required Supplementary Information.

CITY OF ONTARIO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2023 and 2022

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.

ADDITIONAL INFORMATION

CITY OF ONTARIO, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2022	Expenditures	Unspent Allocations at June 30, 2023
Article 3	Bus Stop Pad Installation Project	2021-22	$ 67,050	$ 67,050	$ -	$ 67,050

Crowe

Crowe LLP
Independent Member Crowe Global

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*

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 consolidated financial statements of Transportation Development Act (TDA) Article 3 Fund (TDA Fund) of the City of Ontario, California (City), as of June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements and have issued our report thereon dated February 7, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weakness or significant deficiencies may exist that were not identified. 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.

(Continued)

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.

Crowe LLP

Crowe LLP

Los Angeles, California
February 7, 2024

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2023 and 2022

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
FINANCIAL STATEMENTS
June 30, 2023 and 2022

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CROWE LLP
Independent Member Crowe Global

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 (TDA) Article 3 Fund (TDA Fund) of the City of Rancho Cucamonga, California (City), as of and for the year ended June 30, 2023, 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 TDA Fund of the City, as of June 30, 2023, 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.

Other Matter

The financial statements of the TDA Fund of the City for the year ended June 30, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on December 19, 2022.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund, a governmental fund of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023 or the changes in its financial position 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.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying schedule of allocations received and expended, by project year (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described 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, 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.

Crowe LLP

Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2023 and 2022

	Article 3	
	2023	2022
ASSETS		
Accounts receivable	$ 11,555	$ -
Total assets	$ 11,555	$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payables	$ 506	$ -
Accrued liabilities	520	-
Due to other City funds	10,529	9,237
Total liabilities	11,555	9,237
Deferred inflows of resources		
Unavailable revenue	11,555	-
Fund balance (deficit)		
Unassigned	(11,555)	(9,237)
Total liabilities, deferred inflows of resources, and fund balance	$ 11,555	$ -

See notes to financial statements.

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Years ended June 30, 2023 and 2022

	Article 3	
	2023	2022
Revenues		
TDA allocation	$ -	$ -
Expenditures		
Capital		
TDA expenditures	11,555	-
Revenues over/(under) expenditures	11,555	-
Other financing sources (uses)		
Transfers from other City funds	9,237	-
Net change in fund balance	(2,318)	-
Fund balance (deficit), beginning of year	(9,237)	(9,237)
Fund balance (deficit), end of year	$ (11,555)	$ (9,237)

See notes to financial statements.

NOTE 1 – GENERAL INFORMATION

Reporting Entity: The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 3 Fund (TDA Fund) of the City of Rancho Cucamonga, California (City) only and do not purport to, and do not, present fairly the financial position of the City and the changes in its financial position 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

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.

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.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022, the cash balance of the TDA Fund is $0.

Use of 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.

Deferred Inflows of Resources: Deferred inflows of resources-unavailable revenues represents an 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.

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 OTHER CITY FUNDS

Due to other City funds of $10,529 and $9,237 represents the amounts paid by the City on behalf of the TDA Fund as of June 30, 2023 and 2022, respectively. The balance will be repaid to the City’s General Fund as the TDA allocations are received.

NOTE 4 – DEFICIT FUND BALANCE

The TDA Fund ended the year with a fund deficit of $11,555 in 2023 and $9,237 in 2022. 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

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 FUND
Year ended June 30, 2023

	Budget			Variance From Final Budget Postitive
	Original	Final	Actual	(Negative)
Revenues				
TDA allocation	$ 403,000	$ 72,000	$ -	$ (72,000)
Expenditures				
Capital				
TDA expenditures	403,000	72,000	11,555	60,445
Other financing sources (uses)				
Transfers in from other City funds	-	9,240	9,237	(3)
Net change in fund balance	-	9,240	(2,318)	(11,558)
Fund balance, beginning of year	(9,237)	(9,237)	(9,237)	-
Fund balance, end of year	$ (9,237)	$ 3	$ (11,555)	$ (11,558)

See note to required supplementary information.

CITY OF RANCHO CUCAMONGA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3 FUND
Year ended June 30, 2022

	Budget			Variance From Final Budget Postitive
	Original	Final	Actual	(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)	$ -

See note to required supplementary information.

CITY OF RANCHO CUCAMONGA, CALIFONIA
TRANSPORTATION DEVELOPMENT ACT FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2023 and 2022

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.

ADDITIONAL INFORMATION

CITY OF RANCHO CUCAMONGA, CALIFONIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2022	Expenditures	Unspent Allocations at June 30, 2023
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	11,555	391,445
			$ 714,607	$ 714,607	$ 11,555	$ 703,052

Crowe

Crowe LLP
Independent Member Crowe Global

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

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 Transportation Development Act (TDA) Article 3 Fund (TDA Fund) of the City of Rancho Cucamonga, California (City), as of June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements and have issued our report thereon dated December 21, 2023.

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 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weakness or significant deficiencies may exist that were not identified. 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.

(Continued)

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.

Crowe LLP

Crowe LLP

Los Angeles, California
December 21, 2023

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Fiscal Years Ended June 30, 2023 and 2022

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Conrad

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund ("TDA Fund") of the City of Redlands, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the City, as of June 30, 2023, and the respective changes in financial position of the TDA Fund of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Fund 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.

Other Matters

Prior Year Comparative Information
The financial statements of the City as of June 30, 2022, were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in its report dated January 26, 2023.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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.

Supplementary 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* 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 13, 2023 on our consideration of the City's internal control over financial reporting for the TDA Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Conrad LLP

Lake Forest, California
December 13, 2023

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Comparative Balance Sheets

June 30, 2023, and 2022

	2023	2022
Assets		
Cash and investments (Note 3)	$ -	$ -
Due from other governments	680,838	13,859
Total assets	$ 680,838	$ 13,859
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Accounts payable	$ 39,120	$ -
Due to the City of Redlands (Note 4)	641,625	13,766
Total liabilities	680,745	13,766
Deferred inflows of resources		
Unavailable revenue (Note 5)	680,838	13,859
Fund balance - restricted		
Unassigned (Note 6)	(680,745)	(13,766)
Total liabilities and fund balance	$ 680,838	$ 13,859

See accompanying notes to financial statements

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Comparative Statement of Revenues, Expenditures,
and Changes in Fund Balance

Fiscal Years Ended June 30, 2023, and 2022

	2023	2022
Revenues:		
TDA Article 3 funds	$ -	$ -
Total revenues	-	-
Expenditures:		
TDA expenditures	666,979	6,545
Total expenditures	666,979	6,545
Excess (deficiency) of revenues over (under) expenditures	(666,979)	(6,545)
Fund balance (deficit) at beginning of year	(13,766)	(7,221)
Fund balance (deficit) at end of year	$ (680,745)	$ (13,766)

See accompanying notes to financial statements

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(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, 2023 and 2022, 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 on a reimbursement basis. In accordance with the agreement, the City is required to provide matching funds ranging from 0% to 15% of the project costs. The City has utilized the Local Transportation Fund, General Fund, and donated funds for the match.

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(2) Summary of 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:

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. 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, reserves, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City accounts for the activity of the Article 3 funds in its TDA Fund which is a Special Revenue Fund. Special Revenue Funds are used to account for and report on a particular source of revenue.

Measurement Focus and Basis of Accounting

Special Revenue Funds 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 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 year. Expenditures generally are recorded when a liability is incurred.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 3 are recognized in the period when all eligibility requirements have been met.

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.

(2) Summary of Significant Accounting Policies (Continued)

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.

- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

Use of Estimates

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

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(3) Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The TDA Fund's cash and investments as of June 30, 2023 and 2022 is $0.

The TDA Fund's cash is deposited in the City's internal investment pool which is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the TDA Fund are those of the City and are included in the City's basic financial statements.

See the City's basic financial statements for disclosures related to cash and investments including those disclosures relating to interest rate risk, credit rate risk, custodial credit risk, and concentration risk.

(4) Due to the City of Redlands

Due to the City of Redlands of $641,625 and $13,766 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, 2023 and June 30, 2022, respectively.

(5) Unavailable Revenue

The City of Redlands did not receive the TDA Article 3 reimbursement for the expenditures for the Orange Blossom Trail Project and East Valley Corridor Bike Route Project totaling $680,838 within the City's period of availability. As of June 30, 2023 and 2022, the amount classified as unavailable revenue is $680,838 and $13,859, respectively.

(6) Deficit Fund Balance

The TDA Fund reported a deficit fund balance of $680,745 and $13,766 as of June 30, 2023 and 2022, respectively. Article 3 revenues are spent on projects and reimbursed after completion. As such, the timing difference between the expenditures and receipt of Article 3 revenues created a deficit fund balance. The obligation of the negative unassigned fund balance will be paid by future Article 3 revenues from SBTCA.

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(7) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety education programs.

(8) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(9) Budgetary Data

The City adopts a biennial budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current fiscal year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

Required Supplemental Data

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2023

	Budget			Variance From Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
TDA Article 3 funds	$ -	$ 1,180,448	$ -	$ (1,180,448)
Total revenues	-	1,180,448	-	(1,180,448)
Expenditures:				
TDA expenditures	-	1,166,589	666,979	499,610
Total expenditures	-	1,166,589	666,979	499,610
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 13,859	(666,979)	$ (680,838)
Fund balance at beginning of year			(13,766)	
Fund balance at end of year			$ (680,745)	

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2022

	Budget			Variance From Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
TDA Allocation	$ -	$ 1,180,448	$ -	$ (1,180,448)
Total revenues	-	1,180,448	-	(1,180,448)
Expenditures:				
TDA expenditures	-	1,173,134	6,545	1,166,589
Total expenditures	-	1,173,134	6,545	1,166,589
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 7,314	(6,545)	$ (13,859)
Fund balance at beginning of year			(7,221)	
Fund balance at end of year			$ (13,766)	

Supplemental Data

CITY OF REDLANDS, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Allocations Received and Expended, by Project Year

Fiscal Year Ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocation at 6/30/2022	Expenditures	Funds Rescinded	Unspent Allocation at 6/30/2023
Article 3	Orange Blossom Trail Project	2013-14	$ 918,722	$ 804,619	$ 665,037	$ -	$ 139,582
Article 3	East Valley Corridor Bike Route	2017-18	264,401	157,696	1,942	-	155,754
Article 3	Highland/Redlands Regional Connector Loop Project	2019-20	157,934	157,934	-	(157,934)	-
Article 3	Transit Stop Access Program	2021-22	46,340	46,340	-	-	46,340
			$ 1,387,397	$ 1,166,589	$ 666,979	$ (157,934)	$ 341,676

Match Requirements:

Certain projects require a local match. The City has utilized the Local Transportation Fund, General Fund, and Bear Valley Donation for the match. The match funding for the projects are as follows:

East Valley Corridor Bike Route	$ 3,044
13/14 Orange Blossom Trail Project	117,359
Totals	$ 120,403

Conrad

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

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*

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 Transportation Development Act Local Transportation Fund pursuant to Article 3 ("TDA Fund") of the City of Redlands, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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 §6666 of Part 21 of the California Code of Regulations, 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 §6666 of Part 21 of the California Code of Regulations.

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.

Conrad LLP

Lake Forest, California
December 13, 2023

SAN BERNARDINO COUNTY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS ACTIVITY

FINANCIAL STATEMENTS
June 30, 2023 and 2022

SAN BERNARDINO COUNTY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS ACTIVITY
FINANCIAL STATEMENTS

June 30, 2023 and 2022

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CROWE LLP
Independent Member Crowe Global

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 Activity (TDA Funds Activity) of San Bernardino County, California (County), as of and for the year ended June 30, 2023, 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 TDA Funds Activity of the County as of June 30, 2023, 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 audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the TDA Fund Activity of the County for the year ended June 30, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on January 6, 2023.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds Activity, and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2023, or the changes in its financial position 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.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying schedule of allocations received and expended, by project year (the "additional information"), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements do not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described 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 11, 2024, on our consideration of the County's internal control over financial reporting of the TDA Funds Activity 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 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 County's internal control over financial reporting and compliance, as it relates to the TDA Funds Activity.

Crowe LLP

Crowe LLP

Los Angeles, California
January 11, 2024

SAN BERNARDINO COUNTY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS ACTIVITY
BALANCE SHEETS
June 30, 2023 and 2022

	Article 3 2023	Article 8 2023
ASSETS		
Due from other governments	$ -	$ 263,550
Total assets	$ -	$ 263,550
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Due to other County funds	$ -	$ 263,550
Deferred inflows of resources		
Unavailable revenues	-	-
Fund balance		
Restricted for transportation	-	-
Total liabilities, deferred inflows of resources, and fund balance	$ -	$ 263,550

	Article 3 2022	Article 8 2022
ASSETS		
Due from other governments	$ -	$ -
Total assets	$ -	$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Due to other County funds	$ -	$ -
Deferred inflows of resources		
Unavailable revenues	-	-
Fund balance		
Restricted for transportation	-	-
Total liabilities, deferred inflows of resources, and fund balance	$ -	$ -

See notes to financial statements.

SAN BERNARDINO COUNTY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS ACTIVITY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Years Ended June 30, 2023 and 2022

	Article 3 2023	Article 8 2023
Revenues		
TDA allocation	$ -	$ 263,550
Expenditures		
TDA expenditures	-	263,550
Net change in fund balance	-	-
Fund balance, beginning of year	-	-
Fund balance, end of year	$ -	$ -

	Article 3 2022	Article 8 2022
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	$ -	$ -

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 and Article 8 Funds Activity (TDA Funds) only and do not purport to, and do not, present fairly the financial position of San Bernardino County, California (County), and the changes in financial position thereof 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: 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 County 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, County, or transit district for any group with special transportation assistance needs must be determined by SBCTA.

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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 the TDA Funds activity in separate general ledger accounts within the County's Transportation special revenue fund and the general fund.

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.

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 not defined as Level 1, Level 2, or Level 3 inputs.

Use of 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.

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.

(Continued)

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments in the amount of $263,550 as of June 30, 2023, represents receivables from SBCTA for reimbursement of eligible TDA expenditures.

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 $263,550 as of June 30, 2023, represent the amount funded by other County funds that will be reimbursed to those funds once the TDA allocation is received.

REQUIRED SUPPLEMENTARY INFORMATION

SAN BERNARDINO COUNTY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 3
Years ended June 30, 2023 and 2022

	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
June 30, 2023				
Revenues				
TDA allocation	$ -	$ -	$ -	$ -
Expenditures				
TDA expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
June 30, 2022				
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

See note to required supplementary information.

SAN BERNARDINO COUNTY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS ACTIVITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 8
Years ended June 30, 2023 and 2022

	Budget Original	Budget Final	Actual	Final Budget Positive (Negative)
June 30, 2023				
Revenues				
TDA allocation	$ 263,550	$ 263,550	$ 263,550	$ -
Expenditures				
TDA expenditures	263,550	263,550	263,550	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

	Budget Original	Budget Final	Actual	Variance From Final Budget Positive (Negative)
June 30, 2022				
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	$ -	$ -	$ -	$ -

See note to required supplementary information.

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.

ADDITIONAL INFORMATION

SAN BERNARDINO COUNTY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS ACTIVITY
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2022	Expenditures	Unspent Allocations at June 30, 2023
Article 8	Streets & Road Maintenance	2022-23	$ 263,550	$ -	$ 263,550	$ -
Article 3	Bloomington Area Schools Project Pedestrian Improvements	2021-22	85,500	85,500	-	85,500
Article 3	Third Street and Other Roads Bus Stop Improvements	2021-22	69,300	69,300	-	69,300
Article 3	Santa Ana River Trail - Waterman to Alabama	2000-01	559,940	306,639	-	306,639
			$ 978,290	$ 461,439	$ 263,550	$ 461,439

CROWE LLP
Independent Member Crowe Global

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*

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 Transportation Development Act Article 3 and Article 8 Funds Activity (TDA Funds Activity) of San Bernardino County, California (County), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Funds Activity's basic financial statements, and have issued our report thereon dated January 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit 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 opinions 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

(Continued)

Report on Compliance and Other Matters

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

County's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The County'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 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.

Crowe LLP

Crowe LLP

Los Angeles, California
January 11, 2024

2023-001 REVENUE RECOGNITION – (Material Weakness)

Criteria:
Standards for the modified accrual recognition of governmental fund revenues require that in order to recognize revenues from an expenditure-driven/reimbursement type grant, the expenditure must have been made and the revenue must be available. Available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. The County's period of availability is 270 days subsequent to the current fiscal year end.

Condition/Context:
The County reported $263,550 in expenditures within the TDA Article 8 Funds activity during 2023, and received the associated reimbursement from SBCTA in October 2023, which is within the County's availability period. Accordingly, $263,550 in TDA Article 8 revenues were improperly excluded from the June 30, 2023 financial statements.

Cause:
The County did not have a sufficient control in place to ensure reimbursements received within the County's availability period are recorded in the appropriate period within the TDA Funds activity.

Effect:
An audit adjustment of $263,550 was posted to recognize the revenue and associated receivable in the June 30, 2023 TDA Funds activity financial statements.

Recommendation:
We recommend that management establish controls to review collections of revenue material to TDA Funds activity subsequent to year-end, but within the period of availability, for proper inclusion in the financial statements.

Views of responsible officials and planned corrective actions:
The County concurs with the auditor's finding. Although no additional TDA Article 8 revenue is expected in the foreseeable future, the County will update administrative procedures to review collections of revenue related to TDA activities prior to and after year-end.

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2023 and 2022

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND

FINANCIAL STATEMENTS
June 30, 2023 and 2022

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CROWE LLP
Independent Member Crowe Global

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 (TDA) Article 8 Fund (TDA Fund) of the City of Twentynine Palms, California (City), as of and for the year ended June 30, 2023, 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 TDA Fund of the City, as of June 30, 2023, 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.

Other Matter

The financial statements of the TDA Fund of the City for the year ended June 30, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on December 20, 2022.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Fund, a governmental fund of the City, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023 or the changes in its financial position 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.

(Continued)

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.

(Continued)

Additional Information

Management is responsible for the accompanying schedule of allocations received and expended, by project year (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 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 of the TDA Fund.

Crowe LLP

Crowe LLP

Los Angeles, California
November 29, 2023

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
BALANCE SHEETS
June 30, 2023 and 2022

	Article 8	
	2023	2022
ASSETS		
Cash and investments	$ 22,951	$ 198,337
Interest receivable	989	381
Other receivable	158	-
Total assets	$ 24,098	$ 198,718
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ -	$ 9,113
Fund balance		
Restricted for transportation	24,098	189,605
Total liabilities and fund balance	$ 24,098	$ 198,718

See notes to financial statements.

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Years Ended June 30, 2023 and 2022

	Article 8	
	2023	2022
Revenue		
TDA allocation	$ -	$ -
Interest income (loss)	5,635	(1,935)
Total revenues	5,635	(1,935)
Expenditures		
Capital		
TDA expenditures	171,142	195,917
Revenues over/(under) expenditures	(165,507)	(197,852)
Net change in fund balance	(165,507)	(197,852)
Fund balance, beginning of year	189,605	387,457
Fund balance, end of year	$ 24,098	$ 189,605

See notes to financial statements.

NOTE 1 – GENERAL INFORMATION

Reporting Entity: The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 8 Fund (TDA Fund) of the City of Twentynine Palms, California (City) only and do not purport to, and do not, present fairly the financial position of the City and the changes in its financial position 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

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.

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.

(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022, cash balance was $22,951 and $198,337, respectively.

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.

Use of 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.

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

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – TDA ARTICLE 8 FUND
Year ended June 30, 2023

	Budget			Variance From Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
TDA allocation	$ -	$ -	$ -	$ -
Interest income (loss)	-	-	5,635	5,635
Total revenues	-	-	5,635	5,635
Expenditures				
Capital				
TDA expenditures	156,699	176,699	171,142	5,557
Revenues over/(under) expenditures	(156,699)	(176,699)	(165,507)	11,192
Net change in fund balance	(156,699)	(176,699)	(165,507)	11,192
Fund balance, beginning of year	189,605	189,605	189,605	-
Fund balance, end of year	$ 32,906	$ 12,906	$ 24,098	$ 11,192

See Note to Required Supplementary Information.

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – TDA ARTICLE 8 FUND
Year ended June 30, 2022

	Budget			Variance From Final Budget Positive
	Original	Final	Actual	(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)

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 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. There were no expenditures in excess of the budgeted expenditures for the year ended June 30, 2023.

ADDITIONAL INFORMATION

CITY OF TWENTYNINE PALMS, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUND
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2022	Expenditures	Unspent Allocations at June 30, 2023
Article 8	Street maintenance	2020-21	$ 75,585	$ 75,585	$ 75,585	$ -
Article 8	Streets & road maintenance	2019-20	205,842	74,668	74,668	-
			$ 281,427	$ 150,253	$ 150,253	$ -
				Use of earned interest	20,889	
				Total expenditures	$ 171,142	

Crowe LLP
Independent Member Crowe Global

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*

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 Transportation Development Act (TDA) Article 8 Fund (TDA Fund) of the City of Twentynine Palms, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Fund's basic financial statements, and have issued our report thereon dated November 29, 2023.

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.

(Continued)

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.

Crowe LLP

Crowe LLP

Los Angeles, California
November 29, 2023

VICTOR VALLEY TRANSIT AUTHORITY
A JOINT POWERS AUTHORITY

BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023

VICTOR VALLEY TRANSIT AUTHORITY
JUNE 30, 2023

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Victor Valley Transit Authority
Hesperia, 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, 2023, and the related notes to the basic 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, 2023, 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. 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'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

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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 auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 VVTA's proportionate share of the net pension liability, and the schedule of pension plan 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.

Report on Summarized Comparative Information

The financial statements of VVTA as of and for the year ended June 30, 2022, were audited by other auditors. Those auditors expressed an unmodified opinion on those audited financial statements in their report dated February 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent in all material respects with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 28, 2023

VICTOR VALLEY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

This discussion and analysis of the Victor Valley Transit Authority's (VVTA or the Authority) financial performance for the year ended June 30, 2023, 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 basic 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 year ended June 30, 2023. It is a separate but 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 creditworthiness 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 operating, investing, and financing activities. It accounts for the cash and cash equivalents balance available at the beginning of the year and at year end. It displays cash received, cash expended, and the net change in the amount of cash and cash equivalents.

HIGHLIGHTS

- Net Position: Overall net position for fiscal year (FY) 22/23 is $84,277,232 and was largely impacted by an increase in net investment in capital assets of $1,796,171, as well as an increase in unrestricted net position of $2,239,330. 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 $1,552,986 or 1.9%. This increase was caused by investment in new assets of $8,487,407, offset by depreciation, amortization, and asset retirement costs totaling $6,934,421. This increase in depreciable asset value also significantly impacted 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 in 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, in October 2022, VVTA started the new pilot program Micro-Link; this new program provides on-demand services for the riders to reach the Fixed Route Bus stops. Fiscal year 22/23 continued to show significant increases in fuel expenses due to the increase of fuel market prices countrywide. Additionally, there have been increases of supplies and service prices due to the rising inflation rate and transportation costs.

VICTOR VALLEY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

- Program revenues: Passenger fares increased by 12.3% or $211,467 compared to the prior year. This 12.3% increase is due to the gradual return to normal after the previous three years of the COVID-19 pandemic, plus VVTA returned the Bus Operations to full-service effective October 1, 2022. Other program revenues for FY 22/23 totaled $2,942,195, representing a decrease of $436,825 compared to the prior year's other program revenues. This decrease is mainly due to no RINS Credit Revenue earned in FY 22/23 plus the decrease of the LCFS Credits earned, offset by the increase of the interest revenue due to the rise in the market bank interest rates and the increase of the CNG credits revenue. Federal grants for operating significantly decreased by $9,985,608 compared to last year. Last year was higher due to the support of the COVID-19 Coronavirus Aid, Relief, and Economic Security (CARES) Act Federal funds for operating expenses. This year, Operating Expenses are supported by the Federal Funds Section 5307 with 50% local match. No local match was required for the Federal CARES Act funds.

- Capital revenues contributed by Federal, State, and local agencies totaled $9,296,623. These sources were provided by grants to support specific capital purchases. Capital purchases vary significantly 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 22/23.

- Total revenues increased by 4.7% from $45,416,763 in FY 21/22 to $47,544,391 in FY 22/23, largely due to increased State and local grants in both Operating and Capital Revenues.

- Total expenses, including depreciation and interest, for the fiscal year totaled $43,414,468, representing an increase of $5,345,544 or 14.0% compared to the prior fiscal year. This was impacted by the increase in operating expenses by 10.8% or $2,971,047 due to the increase of the operations and maintenance contract annual rate, plus the implementation of the new Micro-Link program, 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 an increase in general and administrative costs of 65%, or $1,887,513, compared to the prior year. The increase is due to several significant factors, including a rise in pension expenses resulting from the latest actuarial report. This necessitated an adjustment to the pension contributions to ensure the long-term sustainability of the pension plan. Additionally, the costs associated with travel and meetings have increased notably as activities have resumed to more typical levels following the period of reduced activity due to the COVID-19 pandemic. The remainder of the increase can be attributed to several other factors. The Authority hired two new positions for the Grants department that the Board of Directors (Board) approved in the FY 22/23 Budget. Additionally, there was a significant increase in the market insurance and health insurance rates. The Marketing expenses also increased due to the implementation of the new Micro-Link program. Lastly, the high inflation rate impacted all Administrative services and supplies.

- Cash and equivalents at the end of the year were $38,647,380. Of this amount, $30,301,286 is available for operations, with the balance restricted by grant agreements or governing body policy to be used on specific capital projects, including purchasing rolling stock, capital improvements, repairs, and equipment for the Authority's facilities.

  Included in this cash position is $2,965,131 that is restricted by a debt agreement in connection with the 2016 Certificates of Participation (COP), which funded the construction of the Authority's Hesperia facility, and the 2018 COP for the construction of the Barstow Facility. $382,910 is in Proposition 1B funds, $1,469,317 is in Low Carbon Transit Operations Program (LCTOP) funds, and $1,143,315 is in State of Good Repair (SGR) funds. These funds are restricted by grant agreements for certain capital projects, as well as $5,380,963 restricted by the Authority's Governing Board for specific capital projects.

- In FY14/15, VVTA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, which had implications on costs and the net position of the Authority. Statement No. 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 the California Public Employees Retirement System (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 the collective net pension liability (NPL), pension expense, and deferred inflows/outflows of resources from CalPERS managed funds. Prior to GASB Statement No. 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 FY 22/23 financial statements, VVTA has reported its proportionate share of the collective net pension liability (NPL), pension expense, and deferred inflows/outflows of resources. These requirements had a very minor impact on VVTA's overall financial statements. Ending proportionate share of NPL for VVTA in FY 22/23 was $408,716 or 0.9% of total liabilities.

Additional information pertaining to the specific impact of these statements and the treatment of the Authority's financial statements are detailed in the "notes to the basic 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, Expenses, and Changes in Net Position 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.

VICTOR VALLEY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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

	June 30, 2023	June 30, 2022	Dollar Change	Percentage Change
Assets				
Capital Assets, Net	$ 85,408,254	$ 83,855,268	$ 1,552,986	1.9%
All Other Assets	41,538,452	35,619,821	5,918,631	16.6%
Total Assets	126,946,706	119,475,089	7,471,617	6.3%
Deferred Outflows of Resources				
Pension	859,624	552,745	306,879	55.5%
Refunding	813,508	871,616	(58,108)	-6.7%
Total Deferred Outflows of Resources	1,673,132	1,424,361	248,771	17.5%
Total Assets and Deferred Outflows of Resources	$ 128,619,838	$ 120,899,450	$ 7,720,388	6.4%
Liabilities				
Current Liabilities	$ 15,178,875	$ 10,786,905	$ 4,391,970	40.7%
Noncurrent Liabilities	29,081,393	29,845,067	(763,674)	-2.6%
Total Liabilities	44,260,268	40,631,972	3,628,296	8.9%
Deferred Inflows of Resources				
Pension	5,497	16,089	(10,592)	-65.8%
Leases	76,841	104,080	(27,239)	-26.2%
Total Deferred Inflows of Resources	82,338	120,169	(37,831)	-31.5%
Net Position				
Net Investment in Capital Assets	55,563,185	53,767,014	1,796,171	3.3%
Restricted for Debt Service	2,965,131	2,870,709	94,422	3.3%
Unrestricted	25,748,916	23,509,586	2,239,330	9.5%
Total Net Position	84,277,232	80,147,309	4,129,923	5.2%
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 128,619,838	$ 120,899,450	$ 7,720,388	6.4%

Table A-1 shows the Authority's total net position increased from $80,147,309 in FY 21/22 to $84,277,232 in FY 22/23 or 5.2% because of the current year's activities, as explained further in this report.

- All other assets increased by $5,918,631 or 16.6%. The increase is mainly due to the increase of the cash and cash equivalents due to the increase in the State operating funds to meet the required actual increase in operating expenses.

VICTOR VALLEY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

- Total capital assets (net of depreciation) increased by $1,552,986. 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 1.9% compared to the prior year.

	FY 2023	FY 2022
Land	$ 3,262,834	$ 2,102,780
Construction in Progress	557,066	369,517
Total Non-Depreciable	3,819,900	2,472,297
Capital Assets, Net	81,467,895	81,225,448
Right-to-Use Leased Assets, Net	120,459	157,523
Total Depreciable and Amortizable	81,588,354	81,382,971
Total Capital and Leased Assets, Net	$ 85,408,254	$ 83,855,268

The ending balance of $557,066 in the construction in progress account is for the new transfer center in Hesperia, plus the Landscaping projects in the Hesperia and Barstow facilities, and the NetSuite - Oracle Enterprise Software that VVTA will implement in FY 23-24.

- A total of $8,487,407 in property and equipment capital assets was invested in acquiring capital assets encompassing a variety of items. These assets comprise four (4) Eldorado EZ-Rider and five (5) Eldorado Axes buses specifically designated for Fixed Route operations. Additionally, thirteen (13) new service vehicles were procured to offer driver relief and supervisory support to the transit system, and three (3) Ram Pro-Master vehicles were obtained for our new Micro-Link program service.

  Facility enhancements were also undertaken, including the upgrade of camera systems at our Hesperia and Barstow facilities, as well as at the Victor Valley Transit Center. The investment further facilitated improvements in bus stops, involving the installation of new and replacement bus shelters and shelter amenities. Additionally, facility improvements encompassed maintenance equipment and computer equipment that were implemented to support the transit facilities in Hesperia and Barstow.

- Total liabilities increased by $3,628,296 compared to FY 21/22, mainly due to increased unearned revenues and accrued expenses.

- Net position – net investment in capital assets in the amount of $55,563,185. 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 capital-related debt, as explained earlier in this discussion.

- Net position in the amount of $2,965,131 is restricted for debt service on a long-term lease arrangement maturing in 2037. These funds are reserved as required by the finance lease documents of the 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.

VICTOR VALLEY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

- Net position in the amount of $25,748,916 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 the 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
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2023	June 30, 2022	Dollar Change	Percentage Change
Revenues				
Program Revenues (Operating):				
Charges for Services (Fares)	$ 1,930,444	$ 1,718,977	$ 211,467	12.3%
Federal Grants - Operating	5,707,870	15,693,478	(9,985,608)	-63.6%
State and Local Grants - Operating	27,667,259	18,795,413	8,871,846	47.2%
Other Revenues	2,942,195	3,379,020	(436,825)	-12.9%
Capital Revenues (Operating):				
Federal Grants	4,517,203	4,307,724	209,479	4.9%
State and Local Grants	4,779,420	1,522,151	3,257,269	214.0%
Total Revenues	47,544,391	45,416,763	2,127,628	4.7%
Expenses				
Program Expenses:				
Operations	30,515,813	27,544,766	2,971,047	10.8%
General and Administration	4,811,255	2,923,742	1,887,513	64.6%
Depreciation and Amortization	6,934,421	6,396,584	537,837	8.4%
Capital Expenses:				
Capital Interest Expense	1,152,979	1,203,832	(50,853)	-4.2%
Total Expenses	43,414,468	38,068,924	5,345,544	14.0%
Change in Net Position	4,129,923	7,347,839	(3,217,916)	-43.8%
Net Position - Beginning of Year	80,147,309	72,799,470	7,347,839	10.1%
Net Position - End of Year	$ 84,277,232	$ 80,147,309	$ 4,129,923	5.2%

As shown in Table A-2, fare revenues increased by $211,467 or 12.3% in FY 22/23. This increase is due to the gradual return back to normal after three years of the COVID-19 pandemic impacts on FY 19-20 and FY 20-21 plus returning to full-service effective October 1, 2022.

Program revenues to support operations received from Federal grants decreased by $9,985,608 or 63.6% compared to the prior year. The Federal operating grants decreased due to the Federal COVID-19 CARES Act funds that provided 100% support for operating expenses without requiring any match, which was not be available in FY 22/23.

VICTOR VALLEY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Other program revenues for FY 22/23 totaled $2,942,195, slightly decreasing by $436,825 compared to the prior year. This is due to the decrease of the LCFS Credits earned, plus there is no RINS Credit Revenue earned in FY 22/23.

Capital revenues contributed by Federal, State, and local agencies totaled $9,296,623, an increase of $3,466,748. 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 22/23, which are detailed in this report's discussion of "net position."

Total revenues increased by $2,127,628 or 4.7% from $45,416,763 in FY 21/22 to $47,544,391 in FY 22/23, mainly due to the increase of the State operating funds to meet the increase of the operating expenses for the reasons mentioned above.

Program expenses show an increase in operating expenses of $2,971,047 or 10.8% due to 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, plus the implementation of the new Micro-Link program. As mentioned above, the general and administration expenses increased by $1,887,513, or 64.6%. Depreciation expense increased by $537,837 or 8.4% 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 the 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 $84,277,232, more than last year by $4,129,923.

Some specific activities that have led to the Authority's financial condition as of June 30, 2023, include:

- This fiscal year, the Authority invested $8.5 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 the need for expansion, innovation, technology upgrades, and maintenance of its existing services. Capital asset investment in FY 22/23 is forecasted to remain strong from investment in new rolling stock, including Hydrogen Electric Buses, to comply with the Zero Emission Bus Transition ZEB and continued capital investments in its facilities.

- In October 2022, VVTA implemented a Micro transit service as a pilot demonstration to test the potential for on-demand transportation service. The demonstration was named "Micro-Link," with service objectives to increase transit ridership by providing connections to fixed-route bus service from neighborhoods without convenient access to fixed-route bus service and to provide circulator service for local short trips. Micro-Link operated a 1-year pilot service to evaluate the feasibility of permanently operating these services and assess the potential for additional communities for expansion. Micro-Link service zones were in the southwest area of Hesperia and two zones in Victorville west of I-15. During the pilot period, Micro-Link ridership increased from 90 passengers in Oct 2022 to 1,250 in October 2023. Based on the impact on ridership, Micro-Link was made a permanent service effective October 1, 2023.

- The Authority continued its extensive program for increasing the number of buses, bus shelters, benches, solar lights, and other passenger amenities. Also continuing into the next fiscal year is the infrastructure needed to support the ZEB 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 Authority 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 FY 22/23 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, which is operated under the management of its CTSA Division and the direction of the Chief Operating Officer (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 continue to generate additional Federal apportionment funding. These additional Federal funds are used for capital and operating support and expansion of the Authority's other transportation services. After the pandemic, the Authority has continued and maintained its commitment to the Vanpool Program in FY 22/23 with further plans to market and grow the program.

- FY 22/23 VVTA continued its agreement with Trillium CNG, which replaced the BP agreement effective October 1, 2020. This natural gas is used to create Compressed Natural Gas (CNG) fuel for the Authority's fleet of vehicles. The contract with Trillium CNG to provide the Authority with a source of renewable natural gas (RNG) has resulted in substantial reductions in greenhouse emissions. Additionally, the Authority generated $504,000 in LCFS credits plus $434,281 received from the RINS credits as a direct result of the RNG sourcing. The Authority will continue to source this valuable and environmentally friendly fuel in FY 22/23.

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, Chief Financial Officer (CFO) at Victor Valley Transit Authority, 17150 Smoke Tree St., Hesperia, California, 92345.

BASIC FINANCIAL STATEMENTS

VICTOR VALLEY TRANSIT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS	
CURRENT ASSETS:	
Cash	$ 30,301,286
Cash and investments with fiscal agent - restricted	2,965,131
Cash and investments - Board reserved	5,380,963
Receivables	
Federal, State, and other local grants	1,939,809
Other	304,475
Leases	29,124
Prepaid expenses	510,881
Fuel inventory	49,607
Total Current Assets	41,481,276
NONCURRENT ASSETS:	
Receivables	
Leases	57,176
Capital assets, not being depreciated	3,819,900
Capital assets, net of accumulated depreciation	81,467,895
Right-to-use leased assets, net of accumulated amortization	120,459
Total Noncurrent Assets	85,465,430
Total Assets	126,946,706
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension	859,624
Deferred debt refunding	813,508
Total Deferred Outflows of Resources	1,673,132

See accompanying notes to the basic financial statements.

VICTOR VALLEY TRANSIT AUTHORITY
STATEMENT OF NET POSITION (Continued)
JUNE 30, 2023

LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	4,845,893
Unearned revenues	9,010,535
Compensated absences	150,055
Lease liability	36,063
Certificates of participation, net	1,136,329
Total Current Liabilities	15,178,875
NONCURRENT LIABILITIES:	
Lease liability	91,426
Certificates of participation, net	28,581,251
Net pension liability	408,716
Total Noncurrent Liabilities	29,081,393
Total Liabilities	44,260,268
DEFERRED INFLOWS OF RESOURCES:	
Deferred pension	5,497
Deferred leases	76,841
Total Deferred Inflows of Resources	82,338
NET POSITION:	
Net investment in capital assets	55,563,185
Restricted for debt service	2,965,131
Unrestricted	25,748,916
Total Net Position	$ 84,277,232

See accompanying notes to the basic financial statements.

VICTOR VALLEY TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES:	
Fares	$ 1,830,214
Special transit fares	100,230
Total operating revenues	1,930,444
OPERATING EXPENSES:	
Operations	30,515,813
General and administration	4,811,255
Depreciation and amortization	6,934,421
Total operating expenses	42,261,489
OPERATING LOSS	(40,331,045)
NONOPERATING REVENUES (EXPENSES):	
Operating assistance	
Federal Transit Administration - Section 5307, operating	4,575,038
Federal Transit Administration - Section 5311	1,125,644
Federal Transit Administration - Section 5316	7,188
Local Transportation Fund, operating	25,596,294
Measure I	1,800,782
AB 2766	250,000
Gain on disposal of assets	11,268
Interest income	1,078,787
LCFS credit sales	504,000
State - LCTOP	20,183
Miscellaneous	242,542
CNG credits	1,105,598
Interest expense	(1,152,979)
Total nonoperating revenues (expenses)	35,164,345
Loss before capital contributions	(5,166,700)
Capital contributions:	
Federal Transit Administration - Section 5307, capital	1,528,950
Federal Transit Administration - Section 5339, capital	2,988,253
Local Transportation Fund, capital	1,820,710
State Transit Assistance Fund	226,813
Proposition 1B	232,697
State of Good Repair	1,057,200
CMAQ	1,442,000
Total capital contributions	9,296,623
Change in net position	4,129,923
NET POSITION:	
Net position, beginning of year	80,147,309
Net position, end of year	$ 84,277,232

See accompanying notes to the basic financial statements.

VICTOR VALLEY TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fares	$ 1,875,367
Cash payments to employees	(4,552,762)
Cash payments to vendors for services	(28,185,421)
Net Cash Used by Operating Activities	(30,862,816)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating grants received	36,674,268
Other noncapital financing	215,303
Net Cash Provided by Noncapital Financing Activities	36,889,571
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants received	11,990,424
Purchase of capital assets	(8,487,407)
Proceeds from disposal of capital assets	11,268
Principal payments on capital debt	(1,081,328)
Interest paid	(1,094,871)
Payment of lease liabilities - principal portion	(33,473)
Payment of lease liabilities - interest portion	(6,854)
Cash received as lessor - principal portion	24,668
Cash received as lessor - interest portion	4,731
Net Cash Provided by Capital and Related Financing Activities	1,327,158
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	1,080,910
Net Cash Provided by Investing Activities	1,080,910
Net Increase in Cash, Cash Equivalents, and Investments	8,434,823
CASH, CASH EQUIVALENTS, AND INVESTMENTS:	
Beginning balance	30,212,557
Ending balance	$ 38,647,380
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND INVESTMENTS TO THE STATEMENT OF NET POSITION	
Cash	$ 30,301,286
Cash and investments with fiscal agent - restricted	2,965,131
Cash and investments - Board reserved	5,380,963
Total Cash, Cash Equivalents, and Investments	$ 38,647,380

See accompanying notes to the basic financial statements.

VICTOR VALLEY TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2023

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (40,331,045)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation and amortization expense	6,934,421
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:	
(Increase) in other receivables	(55,077)
Decrease in prepaid expenses	35,625
Decrease in inventory	39,278
Increase in accounts payable and accrued liabilities	2,291,114
(Decrease) in compensated absences	(11,846)
Increase in net pension asset (liability)	552,185
(Decrease) in deferred pension	(317,471)
Total adjustments	9,468,229
Net Cash Used by Operating Activities	$ (30,862,816)
SCHEDULE OF NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Gain on disposal of assets	$ 11,268
Lease revenue recognized	$ 31,970

See accompanying notes to the basic financial statements.

NOTE 1 – ORGANIZATION

Victor Valley Transit Authority (VVTA or the Authority) is a joint powers authority whose members are the cities of Adelanto, Barstow, Hesperia, and Victorville; the Town of Apple Valley; and the County of San Bernardino (the County) 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 its 950-square mile geographic service area. The bus services VVTA provides includes fixed route services, deviated route services, County deviated routes, Americans with Disabilities Act (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 the 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, and Travel Reimbursement Incentive Program (TRIP), and directly provides Travel Training services. CTSA services are provided for rural areas of the North Desert and the communities of Trona and Big River in addition to the communities listed above. VVTA is governed by a Board of Directors (the Board) comprised of seven (7) representatives. Five Board members are elected council members each appointed by the cities they represent as well as the County Supervisors representing the First and Third County districts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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.

C. Cash and Cash Equivalents

Cash and cash equivalents include 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.

D. Cash and Investments with Fiscal Agent Restricted

Certain VVTA accounts are restricted by debt agreements to fund specified debt service requirements. At June 30, 2023, the balance held with fiscal agent pursuant to this agreement was $2,965,131.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 nonoperating 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.

F. Prepaid Expenses

Prepaid expenses include inventories and costs for certain payments to vendors that reflect costs applicable to future accounting periods. The costs of prepaid items are recorded as expenses when consumed rather than when purchased.

G. Fuel Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of fuel for VVTA vehicles. The costs of such inventories are recorded as expenses when consumed rather than purchased. The value of fuel held at the transit facility on June 30, 2023, was $49,607.

H. Capital Assets

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

Buildings 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 life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

I. Use of Estimates

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Operating and Nonoperating Revenue

VVTA distinguishes operating revenues and expenses from nonoperating 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. Nonoperating revenues consist of Federal, State, and local operating grants, fuel tax credits, and investment income.

K. Operating Expenses

Operating expenses include the cost of sales and services, administrative expenses, and depreciation or amortization on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

L. Capital Contributions

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

M. Net Position

VVTA reports its financial position in accordance with GASB Statement No. 34, which requires the presentation of net position instead of retained earnings as previously reported. The net position is categorized and reported under the following classifications:

Net Investment in Capital Assets indicates the value of land, buildings, infrastructure, vehicles, and equipment that is representative VVTA's equity in those capital assets.

Restricted Net Position indicates the value of the restricted assets on hand in excess of the related and recognized liabilities. It is expected that future liabilities will be recognized to match the restricted assets on hand. These monies are reserved by Federal and State legislation or third party agreements for particular use within their particular categories.

Unrestricted Net Position is the remaining amount of assets greater than liabilities available for operations and other organizational activities.

When an expense is incurred for which both restricted and unrestricted net position is available, VVTA shall first apply restricted resources, and then unrestricted resources. When restricted resources are depleted, only then shall unrestricted resources be considered for use.

N. Lease Receivables

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.

O. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. 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 of resources related to pensions. VVTA also reports a deferred outflow of resources 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 of resources related to pensions. The second item is deferred inflows of resources 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.

Q. 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.

R. Software Subscriptions

VVTA accounts for software subscriptions as operating expenses. In alignment with the provisions of GASB Statement No. 96, software subscription costs are recognized in the financial statements as expenses in the period in which they are incurred. This accounting treatment applies to subscriptions that do not meet the criteria for recognition as right-to-use assets under subscription-based information technology arrangements (SBITAs) liabilities, typically characterized by their annual or short-term renewal terms.

S. New Accounting Pronouncements

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. This statement does not impact the financial statements or disclosures of VVTA as VVTA does not have these types of transactions.

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). This statement does not impact the financial statements or disclosures of VVTA as VVTA does not have these types of transactions.

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 SBITAs for government end users (governments). The statement is effective for reporting periods beginning after June 15, 2022. VVTA has evaluated its existing software subscriptions and determined that none of them meet the criteria to be recognized as a right-of-use asset and a corresponding SBITA liability under the statement. See Note 1 for VVTA's policy regarding software subscriptions.

NOTE 2 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

S. <u>New Accounting Pronouncements</u> (Continued)

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, PPPs, and 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. This statement does not impact the financial statements or disclosures of VVTA as VVTA does not have these types of transactions.

T. <u>Future Accounting Pronouncements</u>

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 – <u>LEGAL SETTLEMENT, SOLAR PANEL REBATES, AND CNG TAX CREDITS</u>

During the year ending June 30, 2014, VVTA received a legal settlement totaling $1,622,018 from the insurance companies of the primary contractor for the Administrative Office Facility. The VVTA Board designated these funds for future major repairs and renovations, creating an Administration/Maintenance Facility Reserve. The reserve balance is tracked annually and is reported as part of the unrestricted net position in the Statement of Net Position.

VVTA has accumulated unspent Compressed Natural Gas (CNG) tax credits totaling $234,166. The Board has approved the allocation of these credits to establish a Capital Reserve for the Battery Electric Bus (BEB) Infrastructure project. This reserve balance is tracked separately and is reported as part of the unrestricted net position in the Statement of Net Position. During the year ended June 30, 2023, in line with the Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Public Law 116-260) enacted as part of the Consolidated Appropriations Act 2021, which extended the fuel tax credits through December 31, VVTA received additional CNG tax credits. These credits were received pursuant to VVTA's usage of CNG for its bus fleet. The total CNG tax credit amount earned for the year ended June 30, 2023, was $1,105,598. These funds are intended to support VVTA's commitment to a clean energy fleet and are included in the unrestricted net position on the Statement of Net Position.

NOTE 3 – LEGAL SETTLEMENT, SOLAR PANEL REBATES, AND CNG TAX CREDITS (Continued)

VVTA has received Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) credits totaling $900,000. VVTA's Board has approved to allocate these the purchase of five BEBs. 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.

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 provisions 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 year ended June 30, 2023, was $10,225,073.

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 (PUC). VVTA receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971. These funds are generated within the 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.

NOTE 4 – FEDERAL, STATE, AND LOCAL GRANTS (Continued)

A. Section 6634 (Continued)

The computation of unearned revenue as of June 30, 2023, is as follows:

	Operating Funds	Capital Funds	Total
Beginning balance, July 1, 2022	$ 5,247,102	$ 1,708,320	$ 6,955,422
Gross receipts			
Local Transportation Fund			
Article 3	-	12,591	12,591
Article 4	27,546,826	1,786,921	29,333,747
Federal Transit Administration			
Section 5307	-	1,479,363	1,479,363
Section 5307 CARES Act	4,572,434	-	4,572,434
Section 5311 CARES Act	172,932	-	172,932
Section 5316	3,248	-	3,248
Section 5339	-	2,988,253	2,988,253
CMAQ	-	1,442,000	1,442,000
State Transit Assistance Fund - Article 6.5	-	187,289	187,289
Measure I	1,650,312	-	1,650,312
AB2766	250,000	-	250,000
LCTOP	-	1,246,854	1,246,854
Proposition 1B (PTMISEA/CTAF)	-	10,693	10,693
State of Good Repair	-	809,791	809,791
Fares	1,930,441	-	1,930,441
Gain on disposal of capital assets	11,268	-	11,268
LCFS credits	504,000	-	504,000
RINS credits	-	417,351	417,351
Total gross receipts	36,641,461	10,381,106	47,022,567
Operating expenses, less depreciation and amortization	(36,480,047)	-	(36,480,047)
Capital acquisitions	-	(8,487,407)	(8,487,407)
Receipts over/(under) expenses in current period	161,414	1,893,699	2,055,113
Amount unearned at June 30, 2023	$ 5,408,516	$ 3,602,019	$ 9,010,535

B. Sections 99268.4 and 99405

Section 99268.4 indicates that in the case of an operator that 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.

NOTE 4 – FEDERAL, STATE, AND LOCAL GRANTS (Continued)

B. Sections 99268.4 and 99405 (Continued)

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. This waiver, in line with Section 99268.9 of the Public Utilities Code, will remain in effect until the end of the 2023-24 fiscal year, with the provisions set to become inoperative on January 1, 2025.

The fare ratio as of June 30, 2023, is calculated as follows:

	Motor Bus Routes	Handicapped Demand Response	Total
Operating expenses	$ 37,611,222	$ 5,803,246	$ 43,414,468
Less: depreciation and amortization	(6,323,191)	(611,230)	(6,934,421)
Less: exemptions	(3,728,543)	-	(3,728,543)
Adjusted operating expenses	$ 27,559,488	$ 5,192,016	$ 32,751,504
Fare revenue	$ 1,569,346	$ 361,098	$ 1,930,444
Fare ratio	5.7%	7.0%	5.9%
Local funds used by the operator to supplement fare box revenues to satisfy the 10% fare ratio as permitted by Section 99268.19:			
Measure I	1,800,782	-	1,800,782
CNG stations sales	164,119	-	164,119
LCFS credits	504,000	-	504,000
Interest income	926,582	-	926,582
Adjusted fare revenue	$ 4,964,829	$ 361,098	$ 5,325,927
Adjusted fare ratio	18.0%	7.0%	16%
Total fare ratio requirements pursuant to PUC Sections 99405(c) and 99268.4	18%	10%	18%

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.

NOTE 4 – FEDERAL, STATE, AND LOCAL GRANTS (Continued)

B. Sections 99268.4 and 99405 (Continued)

Proposition 1B (Continued)

Proposition 1B activity during the year ended June 30, 2023, was as follows:

	PTMISEA
Unspent Proposition 1B funds as of July 1, 2022	$ 604,915
Proposition 1B funds interest earned during year ended June 30, 2023	10,693
Proposition 1B expenses incurred during year ended June 30, 2023	(232,698)
Unearned balance, June 30, 2023	$ 382,910

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 and 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. LCTOP activity during the year ended June 30, 2023, was as follows:

	LCTOP
Unspent LCTOP as of July 1, 2022	$ 242,647
LCTOP funds received during year ended June 30,2023	1,208,597
LCTOP funds interest earned year ended June 30,2023	38,257
LCTOP expenses incurred during year ended June 30,2023	(20,184)
Unearned balance, June 30, 2023	$ 1,469,317

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 activity during the year ended June 30, 2023, was as follows:

	SGR
Unspent SGR funds as of July 1, 2022	$ 1,390,724
SGR funds received during year ended June 30, 2023	785,169
SGR funds interest earned during year ended June 30, 2023	24,622
SGR expenses incurred during year ended June 30, 2023	(1,057,200)
Unearned balance, June 30, 2023	$ 1,143,315

NOTE 5 – CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows:

Cash*	$ 30,301,286
Cash and investments with fiscal agent - restricted	2,965,131
Cash and investments - Board reserved	5,380,963
Total	$ 38,647,380

* Cash balance includes $382,910 of unspent Proposition 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	$ 35,682,249
Cash and cash equivalents held with fiscal agent	2,965,131
Total	$ 38,647,380

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.

Information about the sensitivity of the fair value of VVTA's investments to market interest rate fluctuations is provided the following table that shows the distribution of VVTA's investment by maturity as of June 30, 2023.

		Remaining Maturity (in Months)
Investment Type	Total	12 Months or Less
Money market fund	$ 2,965,131	$ 2,965,131
Total	$ 2,965,131	$ 2,965,131

NOTE 5 – CASH AND INVESTMENTS (Continued)

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's investments are in money market funds, which are typically diversified and carry lower credit risk compared to individual securities. These funds are not separately rated but are managed to maintain a high credit quality. 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.

Fair Value Hierarchy

VVTA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America.

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: Investment reflected prices quoted in active markets;
- Level 2: Investments reflected prices that are similar observable asset either directly or indirectly, including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.; and
- Level 3: Investments reflected based on significant unobservable inputs (including VVTA's own assumptions in determining the fair value of investments).

VVTA has the following recurring fair value measurements as of June 30, 2023:

		Fair Value Measurements at Reporting Date Using:		
June 30, 2023	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	$ 2,965,131	$ 2,965,131	$ -	$ -
Total	$ 2,965,131	$ 2,965,131	$ -	$ -

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, is as follows:

	Balance June 30, 2022	Transfers	Additions	Retirements/ Adjustments	Balance June 30, 2023
Capital assets, not being depreciated					
Land - Hesperia facility	$ 1,500,000	$ -	$ -	$ -	$ 1,500,000
Land - Barstow facility	193,350	-	-	-	193,350
Land - Parking and office	237,400	-	-	-	237,400
Land - Hydrogen station	172,030	-	-	-	172,030
Land - 10 acres - Hesperia	-	-	1,160,054	-	1,160,054
Construction in progress	369,517	(183,514)	371,063	-	557,066
Total capital assets, not being depreciated	2,472,297	(183,514)	1,531,117	-	3,819,900
Capital assets, being depreciated					
Bus facility - Hesperia	52,169,563	-	-	-	52,169,563
Bus facility - Barstow	13,131,397	-	-	(6,205)	13,125,192
Operations equipment	54,462,680	42,932	6,764,829	(198,730)	61,071,711
Furniture and office equipment	3,939,104	140,582	191,461	(232,571)	4,038,576
Total capital assets being depreciated	123,702,744	183,514	6,956,290	(437,506)	130,405,042
Less accumulated depreciation					
Bus facility - Hesperia	(12,174,804)	-	(1,541,202)	-	(13,716,006)
Bus facility - Barstow	(860,652)	-	(466,299)	6,205	(1,320,746)
Operations equipment	(25,877,864)	-	(4,712,475)	198,730	(30,391,609)
Furniture and office equipment	(3,563,976)	-	(177,381)	232,571	(3,508,786)
Total accumulated depreciation	(42,477,296)	-	(6,897,357)	437,506	(48,937,147)
Net depreciable assets	81,225,448	183,514	58,933	-	81,467,895
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)	-	(37,064)	-	(64,862)
Total accumulated amortization	(27,798)	-	(37,064)	-	(64,862)
Net right-to-use leased assets	157,523	-	(37,064)	-	120,459
Total capital assets, net	$ 83,855,268	$ -	$ 1,552,986	$ -	$ 85,408,254

Depreciation and amortization for the year ended June 30, 2023, was 6,934,421.

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 Public Risk Innovation, Solutions, and Management (PRISM) for $49 million excess liability coverage.

NOTE 7 – RISK MANAGEMENT (Continued)

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.

Additionally, VVTA benefits from a range of specialized insurance programs. These include an Employment Practices Liability Program with a coverage limit of $1,000,000 and a member retention of $25,000, and a Business Auto Physical Damage Program with coverage up to $10,000,000 and a member deductible of $5,000. The Crime Coverage Program, managed by National Union Fire Insurance Company, safeguards against various risks such as employee theft and fraud up to $1,000,000, subject to a deductible of $2,500 per occurrence. Cybersecurity risks are addressed through a Cyber Liability Program, providing up to $12,000,000 in coverage with a deductible of $2,500 per claim. Lastly, the Alliant Deadly Weapon Response Program offers a coverage limit of $500,000 with a $10,000 deductible per event.

Over the previous three years, VVTA has not encountered any settlements exceeding these coverage limits, and there have been no significant changes in either the insurance policies or the coverage amounts during this period.

NOTE 8 – COMMITMENTS

VVTA has entered into a 5-year contract with Keolis Transit Services for operational services, which encompass Fixed Routes, Demand Response, commuter routes for Fort Irwin, and County connector routes. This contract is scheduled to expire on September 30, 2025. For the fiscal year ended June 30, 2023, the total expenses recognized under this contract amounted to $24,735,343. The following schedule outlines the future expenses VVTA has committed to under this agreement:

Year Ending June 30	
2024	$ 27,089,242
2025	28,023,600
2026	7,052,630
Total	$ 62,165,472

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, 2023, VVTA paid $40,469 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, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due Beyond One Year
Governmental activities						
2016 Refunding Certificates of Participation	$ 18,285,000	$ -	$ (710,000)	$ 17,575,000	$ 750,000	$ 16,825,000
Premium on 2016 Certificates of Participation	2,351,881	-	(146,992)	2,204,889	146,993	2,057,896
2018 Certificates of Participation	9,775,000	-	(210,000)	9,565,000	225,000	9,340,000
Premium on 2018 Certificates of Participation	387,027	-	(14,336)	372,691	14,336	358,355
Leases	160,962	-	(33,473)	127,489	36,063	91,426
Compensated absences	161,901	127,324	(139,170)	150,055	150,055	-
Net pension liability (asset)	(143,469)	552,185	-	408,716	-	408,716
Total long-term liabilities	$ 30,978,302	$ 679,509	$ (1,253,971)	$ 30,403,840	$ 1,322,447	$ 29,081,393

Certificates of Participation – 2016

In July 2016, VVTA issued Certificates of Participation, series 2016, valued at $23,300,000, to refund the 2007 Lease/Trust Agreement Certificates of Participation with an outstanding principal of $31,375,000. The funds raised from this issuance were used to continue financing the construction of a transit facility in Hesperia, California, and to cover the delivery costs of the certificates. As a result of this advance refunding, a deferred outflow of resources of $1,278,370 was recognized, to be amortized over the life of the new debt. The refinancing transaction resulted in substantial economic benefits, yielding a present value of savings from the cash flow calculated at $10,479,681. After adjusting for prior funds on hand of $(9,267,645), the economic gain was $1,212,036. The terms for the repayment of the principal and interest on these certificates are set on a semi-annual basis, beginning from July 1, 2016, with the interest rates ranging from 2.00% to 5.00%. Principal payments are scheduled annually every July 1, in varying amounts ranging from $675,000 to $4,335,000, with the final principal payment set for July 1, 2037.

To secure this issuance, VVTA pledged farebox revenues as collateral. In accordance with GASB Statement No. 48, VVTA has pledged its farebox revenues as collateral against the debt. The farebox revenues, pledged in the approximate amount equivalent to the remaining debt service, will be dedicated to servicing this debt through its maturity in 2037. For the fiscal year 2023, VVTA generated $1,930,441 in farebox revenues. Of this revenue, VVTA allocated a total of $1,537,550 to service the certificates' debt, with $710,000 covering principal repayments and $827,550 applied to interest payments. This allocation represents approximately 79.6% of the annual farebox revenue being directed towards debt service for the year. The debt service payments were arranged to be fulfilled using all legally available revenues, including farebox revenues, Federal Transit Assistance Funds, Local Transportation Funds, and State Transit Assistance Funds. As of the last reported period, the outstanding balance of the certificates, which includes the unamortized premium, is to be determined based on the most recent financial statements.

The future debt service payment requirements for the refunding are as follows:

Year Ending June 30	Principal	Interest	Total
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	910,000	630,800	1,540,800
2029-2033	5,265,000	2,426,250	7,691,250
2034-2037	8,175,000	910,450	9,085,450
Total	$ 17,575,000	$ 6,903,450	$ 24,478,450

NOTE 9 – LONG-TERM LIABILITIES (Continued)

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. In accordance with GASB Statement No. 48, VVTA has pledged its farebox revenues as collateral against the debt. The farebox revenues, pledged in the approximate amount equivalent to the remaining debt service, will be dedicated to servicing this debt through its maturity in 2048. For the fiscal year 2023, VVTA generated $1,930,441 in farebox revenues. Of this revenue, VVTA allocated a total of $638,650 to service the certificates' debt, with $210,000 covering principal repayments and $428,650 applied to interest payments. This allocation represents approximately 33.08% of the annual farebox revenue being directed towards debt service for the year. In the event of default by VVTA under the Lease/Trust agreement, BNY Mellon (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 debt service payment requirements for the refunding are as follows:

Year Ending June 30	Principal	Interest	Total
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	270,000	369,900	639,900
2029-2033	1,575,000	1,632,000	3,207,000
2034-2038	1,560,000	1,226,250	2,786,250
2039-2043	2,345,000	858,400	3,203,400
2044-2048	2,850,000	350,800	3,200,800
Total	$ 9,565,000	$ 6,040,450	$ 15,605,450

NOTE 10 – LEASES

Lessor Activities

VVTA has two leasing arrangements as a lessor, including a sub-lease with Greyhound Line, Inc., for office space at the Victor Valley Transportation Center, and with Vegan Vato for a restaurant space. The lease terms are 28 to 40 months, including the noncancelable period of the lease and extensions VVTA is reasonably certain to exercise. The lease payments vary, ranging from $1,225 to $1,500 per month, depending on the specific agreement and period within the lease term. The remaining receivable for these leases was $86,300 for the year ended June 30, 2023. Deferred inflows of resources related to these leases were $76,841 as of June 30, 2023. Interest revenue recognized on these leases was $4,731 for the year ended June 30, 2023. Principal receipts of $24,216 were recognized during the year. The interest rate on the leases was 5.15%. Final receipt is expected in fiscal year 2027.

NOTE 10 – LEASES (Continued)

Lessor Activities (Continued)

Remaining principal and interest payments on leases are as follows:

Year Ending June 30	Principal	Interest
2024	$ 29,124	$ 3,657
2025	31,180	2,093
2026	20,851	664
2027	5,145	33
Total	$ 86,300	$ 6,447

Lessee Activities

VVTA as a lessee, has entered into a land lease agreement initiated in October 2021, spanning a 60-month term. The lease commenced with a monthly payment of $3,365, with an annual increment of 2.0% slated for each subsequent anniversary of the lease commencement date, extending through to September 2026. Reflective of the terms and conditions of the lease, the liability was assessed using VVTA's incremental borrowing rate of 5.15%. As of June 30, 2023, with 39 months remaining on the lease term, VVTA's monthly lease payments are $3,571 per month.

At June 30, 2023, VVTA has recognized a lease liability of $127,489 related to this agreement. During the year, VVTA recorded $37,064 in amortization expense and $6,854 in interest expense for the right-to-use the land.

VVTA subleases certain portions of the right-to-use leased asset to third parties. The sub-lease agreements VVTA holds as a lessor with Greyhound Line, Inc., and Vegan Vato, are both housed within the Victor Valley Transportation Center and come with an initial non-cancelable period that, along with extensions that VVTA is reasonably certain to exercise. These subleases represent a right-to-use leased asset of $185,321 as of June 30, 2023. These agreements result in lease receivables of $86,300 and deferred inflows of resources of $76,841 as of June 30, 2023, which are included in the lease receivables tables above.

Remaining obligations associated with these leases are as follows:

Year Ending June 30	Principal	Interest
2024	$ 36,063	$ 5,595
2025	38,835	3,647
2026	41,756	1,567
2027	10,835	50
Total	$ 127,489	$ 10,859

NOTE 11 – COMPENSATED ABSENCES

Accumulated unpaid personal leave, consisting of vacation pay, has been accrued at June 30, 2023, in the amount of $150,055. VVTA's liability for compensated absences is typically liquidated within one year. Compensated absences at the beginning of the year were $161,901, with $127,324 accrued by employees and $139,170 used by employees during the year. VVTA reports the entire balance within current liabilities, as it expects employees to use it 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. Eligible employees hired after January 1, 2013, that are considered new members as defined by the Public Employees' Pension Reform Act (PEPRA) are participating in the PEPRA Miscellaneous Plan.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments (COLA), and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service. Members with five years of total service are eligible to retire at age 55, or 62 if in the PEPRA Miscellaneous Plan, with statutorily reduced benefits. An optional benefit regarding sick leave was adopted. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit. The COLAs for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
	Classic	New Member
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7%@55	2%@62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	62
Monthly benefits, as a percentage of annual salary	2.7%	2%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	13.35% plus $31,818	7.47% plus $6,200

Employees Covered

At June 30, 2023, the following employees were covered by the benefit terms of the Plan:

	2023
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	5
Active employees	27
Total	35

NOTE 12 – EMPLOYEES' RETIREMENT PLAN (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers be 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.

For the year ended June 30, 2023, VVTA recognized contributions as part of pension expense for the Plan as follows:

	June 30, 2023
Miscellaneous Classic	$ 138,647
Miscellaneous PEPRA	243,518
	$ 382,165

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

As of June 30, 2023, VVTA reported a liability of $408,716 for its proportionate share of the collective net pension liability.

VVTA's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022. VVTA's net pension liability for the Plan was measured as the total pension liability, less the pension plan's fiduciary net position.

VVTA's proportionate share of the net pension liability, measured as of June 30, 2021 and 2022, is as follows:

Proportion - June 30, 2021	-0.00756%
Proportion - June 30, 2022	0.00873%
Change - Increase/(Decrease)	0.01629%

For the year ended June 30, 2023, VVTA recognized pension expense of $506,147. At June 30, 2023, 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	$ 8,208	$ 5,497
Net differences between projected and actual earnings on pension plan investments	74,866	-
Difference between VVTA's contributions and proportionate share of contributions	82,863	-
Change in employer's proportion	269,640	-
Contributions subsequent to the measurement date	382,165	-
Changes of assumptions	41,882	-
Total	$ 859,624	$ 5,497

NOTE 12 – EMPLOYEES' RETIREMENT PLAN (Continued)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The amount of $382,165 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 in the year ended June 30, 2024. 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 Ending June 30		
2024	$	216,658
2025		139,174
2026		70,338
2027		45,792
Total	$	471,962

Payable to the Pension Plan

At June 30, 2023, VVTA reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

Actuarial Assumptions

The June 30, 2021 actuarial valuation was rolled forward to determine the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Reporting date	June 30, 2023	
Measurement date	June 30, 2022	
Valuation date	June 30, 2021	
Actuarial cost method	Entry Age Normal	
Actuarial assumptions:		
Discount rate	6.90%	
Inflation	2.30%	
Projected salary increase	Varies by entry age and service	(1)
Investment rate of return	6.90%	(2)
Mortality	Derived using CalPERS' membership data	(3)
Post retirement benefit increase	The lessor of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter	

(1) Depending on age, service, and type of employment.
(2) Net of pension plan investment and administrative expenses, including inflation.
(3) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Preretirement and post retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

NOTE 12 – EMPLOYEES' RETIREMENT PLAN (Continued)

Actuarial Assumptions (Continued)

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period 2001 to 2019. Further details of the experience study can be found on the CalPERS website.

In determining the long-term expected 6.90 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:

Asset Class[a]	Target Allocation	Real Rate of Return Years 1 - 10 [b]
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

[a] An expected inflation of 2.30% used for this period.
[b] Figures are based on the 2021 Asset Liability Management Study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90 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 VVTA'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 liability.

NOTE 12 – EMPLOYEES' RETIREMENT PLAN (Continued)

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

The following presents VVTA's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what VVTA's proportionate share of the 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:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
VVTA's proportionate share of the net pension liability (asset):			
Agent Multiple-Employer Plan	$ 944,979	$ 408,716	$ (32,495)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2021	$ 3,240,254	$ 3,383,723	$ (143,469)
Changes in the year:			
Service cost	229,667	-	229,667
Interest on total pension liability	653,965	-	653,965
Changes of benefit terms	1,733	-	1,733
Changes of assumptions	306,862	-	306,862
Differences between expected and actual experience	(40,278)	-	(40,278)
Net plan to plan resource movement	-	914	(914)
Contributions - employer	-	(95,023)	95,023
Contributions - employees	-	(22,845)	22,845
Net investment income	-	149,990	(149,990)
Benefit payments, including refunds of employee contributions	(458,291)	107,194	(565,485)
Administrative expense	-	1,243	(1,243)
Other miscellaneous income	-	-	-
Net changes	693,658	141,473	552,185
Balance at June 30, 2022	$ 3,933,912	$ 3,525,196	$ 408,716

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.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 28, 2023, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

VICTOR VALLEY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF VVTA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS*
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Proportion of the collective net pension liability (asset)	0.00873%	-0.00265%	0.00244%	0.00204%	0.00169%
Proportionate share of the collective net pension liability (asset)	$ 408,716	$ (143,469)	$ 265,609	$ 208,643	$ 162,489
Covered payroll	$ 2,511,111	$ 1,910,495	$ 1,854,850	$ 1,800,825	$ 1,800,825
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	16.28%	-7.51%	14.32%	11.59%	9.02%
Plan fiduciary net position as a percentage of the total pension liability	78.19%	90.49%	77.71%	77.73%	77.69%

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the collective net pension liability (asset)	0.00181%	0.00159%	0.0177%	0.00244%
Proportionate share of the collective net pension liability (asset)	$ 179,958	$ 137,916	$ 121,552	$ 151,936
Covered payroll	$ 1,517,121	$ 1,253,046	$ 1,039,065	$ 902,643
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	11.86%	11.01%	11.70%	16.83%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

* Historical information is required only for measurement for which GASB Statement No. 68 is applicable. Fiscal year 2015 was the 1st year of implementation; therefore, only nine years are shown.

Changes of Assumptions

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.
The discount rate changed from 7.15 percent used for the June 30, 2017 measurement date to 6.90 percent used for the June 30, 2022 measurement date.

VICTOR VALLEY TRANSIT AUTHORITY
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
LAST TEN YEARS*
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Actuarially determined contributions	$ 382,165	$ 231,346	$ 213,449	$ 156,614	$ 166,440
Contributions in relation to the actuarially determined contributions	(382,165)	(231,346)	(213,449)	(156,614)	(166,440)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,511,111	$ 1,910,495	$ 1,854,850	$ 1,800,825	$ 1,800,825
Contributions as a percentage of covered payroll	15.22%	12.11%	11.51%	8.70%	9.24%

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contributions	$ 137,899	$ 118,569	$ 97,561	$ 142,248
Contributions in relation to the actuarially determined contributions	(137,899)	(118,569)	(97,561)	(142,248)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,517,121	$ 1,253,046	$ 1,039,065	$ 902,643
Contributions as a percentage of covered payroll	9.09%	9.46%	9.39%	15.76%

* Fiscal year 2015 was the 1st year of implementation; therefore, only nine years are shown.

VICTOR VALLEY TRANSIT AUTHORITY
A JOINT POWERS AUTHORITY

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2023

VICTOR VALLEY TRANSIT AUTHORITY
SINGLE AUDIT REPORT

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BROWN ARMSTRONG
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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*, SECTION 6667 OF TITLE 21 OF THE CALIFORNIA CODE OF REGULATIONS, THE TRANSPORTATION DEVELOPMENT ACT, ALLOCATION INSTRUCTIONS OF THE SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY, AND CALIFORNIA GOVERNMENT CODE §8879.50 ET SEQ.

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, 2023, and the related notes to the financial statements, which collectively comprise VVTA's basic financial statements, and have issued our report thereon dated December 28, 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. 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 were not identified.

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,

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STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

the allocation instructions of the San Bernardino County Transportation Authority, the Transportation Development Act, and the 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, the Transportation Development Act, 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 VVTA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VVTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 28, 2023

BROWN ARMSTRONG
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Victor Valley Transit Authority
Hesperia, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Victor Valley Transit Authority's (VVTA) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on VVTA's major federal programs for the year ended June 30, 2023. VVTA's major federal programs are 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 programs for the year ended June 30, 2023.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 programs. 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 programs.

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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 auditing standards generally accepted in the United States of America, *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 auditing standards generally accepted in the United States of America, *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, 2023, and the related notes to the financial statements, which collectively comprise VVTA's basic financial statements. We issued our report thereon dated December 28, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 28, 2023

VICTOR VALLEY TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Identifying Number	Expenditures
U.S. Department of Transportation			
Direct Grants			
Federal Transit Cluster			
Federal Transit Formula Grants (Urbanized Area Formula Program)	20.507	CA-2018-105-00, CA-2021-025, CA-2022-049, CA-2023-028 ,CA-2020-272, CA-2022-050	$ 7,545,988
Bus and Bus Facilities Formula Program (Bus Program)	20.526	CA-2017-092, CA-2018-105, CA 2020-237, CA-2022-049	2,988,253
Total Federal Transit Cluster			10,534,241
Transit Services Programs Cluster			
Job Access and Reverse Commute Program	20.516	CA-37-X178	7,188
Total Transit Services Program Cluster			7,188
Passed Through California Department of Transportation			
Formula Grants for Rural Areas and Tribal Transit Program	20.509	64RO21-01668, 64BA-22-02100	1,125,644
Total Formula Grants for Rural Areas			1,125,644
Total U.S. Department of Transportation			11,667,073
Total Expenditures of Federal Awards			$ 11,667,073

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

VICTOR VALLEY TRANSIT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. The information 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 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.

FINDINGS AND QUESTIONED COSTS SECTION

VICTOR VALLEY TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?	____ Yes	X No
Significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major federal programs:

Material weakness identified?	____ Yes	X No
Significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	____ Yes	X No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Clusters
20.507/20.526	Federal Transit Cluster
20.509	Formula Grants for Rural Areas and Tribal Transit Program

Dollar threshold used to distinguish Type A and B programs: $750,000

Auditee qualified as low risk auditee?	____ Yes	X No

II. Financial Statement Findings

None identified.

III. Federal Award Findings and Questioned Costs

None identified.

VICTOR VALLEY TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

2022-001 – Financial Reporting and 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 accounting principles generally accepted in the United States of America. 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

Victor Valley Transit Authority's (VVTA) 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.

Current Year Status

The management has undertaken all actions necessary to remediate any gaps and mitigate control weaknesses that may have resulted in audit findings in fiscal year 2022.

Below is a description of the audit findings and corrective actions taken:

1. An error was reported on the unearned revenue report due to double additions of $895 thousand. An error was related to an incorrect presentation of asset additions that were previously accounted for in construction in process accounts. The new process accounts for asset additions as “transfers” from the CIP account and, accordingly, are not counted as asset additions in the period the asset is placed in service. Moreover, any Excel-based work now includes built-in control checks and is being reviewed by different finance team members. Additionally, the implementation of the new Enterprise Oracle NetSuite System has enabled us to use advanced reports and replace most of the Excel reports previously used.
2. An accrual of $100 thousand was incorrectly posted on July 1 due to accounting and payroll system Cougar Mountain constraints. The new Oracle system has eliminated the potential for such errors.

A vacation accrual of $80 thousand that belongs to fiscal year 2021(prior year adjustment) and was corrected by management in fiscal year 2022 was caused by a formula error in the spreadsheets. The potential of such errors is significantly reduced by the implementation of the new Oracle system. Additionally, any Excel-based work is now reviewed by different team members to avoid the risk of errors.

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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661-324-4971

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, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards,* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 31, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by VVTA are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, VVTA adopted Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*; and GASB Statement No. 99, *Omnibus 2022*, during the year ended June 30, 2023. We noted no transactions entered into by VVTA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting VVTA's financial statements were:

> Management's estimate of the net pension liability, related pension expense, deferred inflows of resources, and deferred outflows of resources are based on the most recent actuarial valuations. We evaluated the methods, assumptions, and data used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the discount rate for the purpose of calculating the right-to-use leased assets, lease receivables, and deferred inflows relating to leases. We evaluated the key factors and assumptions used to develop the estimate of the discount rate for the purpose of calculating the right-to-use leased assets, lease receivables, and deferred inflows relating to leases in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of Federal, State, and Local Grants in Note 4 to the financial statements.
- The disclosure of Capital Assets in Note 6 to the financial statements.
- The disclosure of Commitments in Note 8 to the financial statements.

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- The disclosure of Leases in Note 10 to the financial statements.
- The disclosure of Employees' Retirement in Note 12 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all significant misstatements. In addition, the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. Please see attached for posted and passed audit adjustments.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated December 28, 2023.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to VVTA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as VVTA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of VVTA's Proportionate Share of the Net Pension Liability, and Schedule of Pension Plan Contributions, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION
Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 28, 2023

Victor Valley Transit Authority
Combined Journal Entries Report
For the Fiscal Year Ended June 30, 2023

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries (AJEs)				
AJE #1		**GG-2**		
To adjust pension balances as of 6/30/23				
01-000-141040-000-000	Deferred Outflows - Pension Plan		322,968.00	
01-160-502020-100-000	Pensions-CALPERS		234,714.00	
01-000-231010-000-000	Net Pension Liability			552,185.00
01-000-231010-000-xxx	Deferred Inflows - Pension			5,497.00
Total			**557,682.00**	**557,682.00**
AJE #2		**87-02**		
To record lessee lease entry under GASB 87				
01-000-202007-135-000	Accrued Interest-D Street Lease		659.00	
01-000-221053-135-000	D Street, Lease, net of current portion		33,473.00	
01-000-221053-135-000	D Street, Lease, net of current portion		2,590.00	
01-010-505023-135-000	Interest Expense-D street Lease		6,854.00	
01-990-512010-135-000	Amortization (D Street Lease)		37,064.00	
01-000-118000-135-000	Accumulated Amortization (D Street Lease)			37,064.00
01-000-204033-135-000	D Street, Lease, Current Portion			2,590.00
01-010-505022-135-000	D Street Lease			40,986.00
Total			**80,640.00**	**80,640.00**
AJE #3		**87-02**		
To record lessor lease entry under GASB 87				
01-000-102110-135-000	D Street Receivable-ST		4,907.00	
01-000-231000-135-000	Deferred Inflows-Resources D Street		27,241.00	
01-000-407990-135-000	Other- Non-Transportation Revenue-D Street		29,400.00	
01-000-102200-135-000	D Street Receivable-LT			24,217.00
01-000-102200-135-000	D Street Receivable-LT			4,907.00
01-000-103000-135-000	Accrued Interest Receivable-D Street			452.00
01-000-407070-135-000	Interest Income- (D Street Lease)			4,731.00
01-000-407990-135-000	Other- Non-Transportation Revenue-D Street			27,241.00
Total			**61,548.00**	**61,548.00**
	Total Adjusting Journal Entries		**699,870.00**	**699,870.00**
Passed Adjusting Journal Entries (PAJEs)				
PAJE #1				
To correct overstatement in transportation service expenses		**30-03**		
	Net position		268,565.00	
	Expenses			268,565.00
Total			**268,565.00**	**268,565.00**
	Total All Journal Entries		**$ 968,435.00**	**$ 968,435.00**

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Fiscal Years Ended June 30, 2023 and 2022

TABLE OF CONTENTS

Conrad

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund and Article 8, Section 99400(a) Fund ("TDA Funds") of the City of Victorville, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Funds of the City, as of June 30, 2023, and the respective changes in financial position of the TDA Funds of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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

As discussed in Note 1, the financial statements present only the TDA Funds of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, the changes in its financial position, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Funds 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.

Other Matters

Prior Year Comparative Information
The financial statements of the City as of June 30, 2022, were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated May 11, 2023.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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.

Supplementary 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* 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 21, 2023 on our consideration of the City's internal control over financial reporting for the TDA Funds and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Conrad LLP

Lake Forest, California
December 21, 2023

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Balance Sheets

June 30, 2023

	2023	
	TDA 3	TDA 8a
Assets		
Cash and investments (Note 3)	$ -	$ 1,716,520
Accounts receivable (Note 4)	244,000	4,389
Due from other governments	-	-
Total assets	$ 244,000	$ 1,720,909
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Accounts payable	$ -	$ 16,933
Retention payable	12,682	-
Due to the City of Victorville (Note 5)	1,117,446	-
Deposit trust	-	7,554
Total liabilities	1,130,128	24,487
Deferred inflows of resources		
Unavailable revenue	244,000	-
Fund (deficit) balance - restricted		
Restricted	-	1,696,422
Unassigned (Note 6)	(1,130,128)	-
Total liabilities and fund balance	$ 244,000	$ 1,720,909

See accompanying notes to financial statements

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Balance Sheets

June 30, 2022

	2022 TDA 3	2022 TDA 8a
Assets		
Cash and investments (Note 3)	$ -	$ 1,184,859
Accounts receivable (Note 4)	-	6,139
Due from other governments	-	4
Total assets	$ -	$ 1,191,002
Liabilities and Fund Balance		
Accounts payable	$ 119,370	$ 14,078
Retention payable	12,480	-
Due to the City of Victorville (Note 5)	1,066,238	-
Deposit trust	-	8,786
Total liabilities	1,198,088	22,864
Fund (deficit) balance - restricted		
Restricted	-	1,168,138
Unassigned (Note 6)	(1,198,088)	-
Total liabilities and fund balance	$ -	$ 1,191,002

See accompanying notes to financial statements

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Statement of Revenues, Expenditures,
and Changes in Fund Balance

Fiscal Year Ended June 30, 2023

	2023	
	TDA 3	TDA 8a
Revenues:		
TDA allocation	$ 312,558	$ 1,135,102
Other income	-	61,606
Total revenues	312,558	1,196,708
Expenditures:		
TDA expenditures	244,598	668,424
Total expenditures	244,598	668,424
Excess (deficiency) of revenues over (under) expenditures	67,960	528,284
Fund (deficit) balance at beginning of year	(1,198,088)	1,168,138
Fund (deficit) balance at end of year	$ (1,130,128)	$ 1,696,422

See accompanying notes to financial statements

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Statement of Revenues, Expenditures,
and Changes in Fund Balance

Fiscal Year Ended June 30, 2022

	2022	
	TDA 3	TDA 8a
Revenues:		
TDA allocation	$ -	$ 545,575
Other income	-	46,279
Total revenues	-	591,854
Expenditures:		
TDA expenditures	285,527	701,286
Total expenditures	285,527	701,286
Excess (deficiency) of revenues over (under) expenditures	(285,527)	(109,432)
Fund (deficit) balance at beginning of year	(912,561)	1,277,570
Fund (deficit) balance at end of year	$ (1,198,088)	$ 1,168,138

See accompanying notes to financial statements

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(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 8a Funds ("TDA Funds") only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City of Victorville, California ("City"), as of June 30, 2023 and 2022, 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 50% of the project costs. The City satisfied the 50% match in the fiscal year by utilizing City funding for 50% of the total project costs incurred.

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

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(1) General Information (Continued)

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.

(2) Summary of Significant Accounting Policies

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

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. 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, reserves, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City accounts for the activity of the Article 3 and Article 8a funds in its TDA Fund which is a Special Revenue Fund. Special Revenue Funds are used to account for and report on a particular source of revenue.

Measurement Focus and Basis of Accounting

Special Revenue Funds 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 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 year. Expenditures generally are recorded when a liability is incurred.

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 and 8a possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 3 and 8a are recognized in the period when all eligibility requirements have been met.

A deferred inflow of resources arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Deferred inflows of resources also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred inflow of resources is removed from the balance sheet, and revenue is recognized.

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.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(2) Summary of Significant Accounting Policies (Continued)

- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.
- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

Use of Estimates

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

(3) Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The Article 3 Fund's cash and investments as of June 30, 2023 and 2022 were $0 and $0, respectively. The Article 8 Fund's cash and investments as of June 30, 2023 and 2022 were $1,716,520 and $1,184,859, respectively.

The TDA Fund's cash is deposited in the City's internal investment pool which is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the TDA Fund are those of the City and are included in the City's basic financial statements.

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(3) Cash and Investments (Continued)

See the City's basic financial statements for disclosures related to cash and investments including those disclosures relating to interest rate risk, credit rate risk, custodial credit risk, and concentration risk.

(4) Accounts Receivable

Accounts receivable of $244,000 and $0 represent the Article 3 revenues which had not been received from SBCTA as of June 30, 2023 and 2022, respectively.

The City recorded accounts receivable of $4,389 and $6,139 in the Article 8a fund as of June 30, 2023 and 2022, respectively. The $4,389 represents $1,000 for bus shelter advertising and $3,389 of notes receivable stemming from an accident that took place on June 28, 2018. The $6,139 represents $1,550 for bus shelter advertising and $4,589 of notes receivable stemming from the aforementioned accident.

(5) Due to the City of Victorville

Due to the City of Victorville of $1,117,446 and $1,066,238 represents the amounts paid by the City on behalf of the Article 3 Fund for expenditures incurred for which reimbursements had not yet been received as of June 30, 2023 and June 30, 2022, respectively.

(6) Deficit Fund Balance

The Article 3 Fund ended the year with a deficit fund balance of $1,130,128 as of June 30, 2023 and $1,198,088 as of June 30, 2022. The deficit is due in part to the timing difference between spending Article 3 funding and recognizing the related revenue.

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(7) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety education programs.

Funds received pursuant to the California Public Utilities Code §99400(a) (TDA Article 8a) may only be used for local streets and roads, and projects, which are provided for use by pedestrians and bicycles.

(8) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(9) Budgetary Data

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current fiscal year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

Required Supplemental Data

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedules of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Years Ended June 30, 2023 and 2022

Fiscal Year Ended June 30, 2023

	Budget Original	Budget Final	Actual	Variance From Final Budget Favorable (Unfavorable)
Revenues:				
TDA allocation	$ 493,640	$ 493,640	$ 312,558	$ (181,082)
Total revenues	493,640	493,640	312,558	(181,082)
Expenditures:				
TDA expenditures	-	493,640	244,598	249,042
Total expenditures	-	493,640	244,598	249,042
Excess (deficiency) of revenues over (under) expenditures	$ 493,640	$ -	67,960	$ 67,960
Fund (deficit) balance at beginning of year			(1,198,088)	
Fund (deficit) balance at end of year			$ (1,130,128)	

Fiscal Year Ended June 30, 2022

	Budget Original	Budget Final	Actual	Variance From Final Budget Favorable (Unfavorable)
Revenues:				
TDA allocation	$ -	$ 249,600	$ -	$ (249,600)
Total revenues	-	249,600	-	(249,600)
Expenditures:				
TDA expenditures	-	667,384	285,527	381,857
Total expenditures	-	667,384	285,527	381,857
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (417,784)	(285,527)	$ 132,257
Fund (deficit) balance at beginning of year			(912,561)	
Fund (deficit) balance at end of year			$ (1,198,088)	

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 8, Section 99400(a) Public Utilities Code

Schedules of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

Fiscal Years Ended June 30, 2023 and 2022

Fiscal Year Ended June 30, 2023

	Budget			Variance From Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
TDA allocation	$ -	$ 1,135,102	$ 1,135,102	$ -
Other income	24,995	24,995	61,606	36,611
Total revenues	24,995	1,160,097	1,196,708	36,611
Expenditures:				
TDA expenditures	979,272	1,006,227	668,424	337,803
Total expenditures	979,272	1,006,227	668,424	337,803
Excess (deficiency) of revenues over (under) expenditures	$ (954,277)	$ 153,870	528,284	$ 374,414
Fund balance at beginning of year			1,168,138	
Fund balance at end of year			$ 1,696,422	

Fiscal Year Ended June 30, 2022

	Budget			Variance From Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
TDA allocation	$ 42,000	$ 546,253	$ 545,575	$ (678)
Other income	24,800	24,800	46,279	21,479
Total revenues	66,800	571,053	591,854	20,801
Expenditures:				
TDA expenditures	1,034,434	1,034,544	701,286	333,258
Total expenditures	1,034,434	1,034,544	701,286	333,258
Excess (deficiency) of revenues over (under) expenditures	$ (967,634)	$ (463,491)	(109,432)	$ 354,059
Fund balance at beginning of year			1,277,570	
Fund balance at end of year			$ 1,168,138	

Supplemental Data

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Schedule of Allocations Received and Expended, by Project Year

Fiscal Year Ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocation at 6/30/2022	Expenditures	Unspent Allocation at 6/30/2023
Article 3	ADA Compliance (pass-through VVTA)	2015-16	$ 594,500	$ 89,423	$ 598	$ 88,825
Article 3	Old Town Sidewalk Connectivity	2019-20	244,000	244,000	244,000	-
	Total current year article 3 allocations		$ 838,500	$ 333,423	$ 244,598	$ 88,825
Article 8	Streets & Road Maintenance	2020-21	$ 504,253	$ 350,447	$ 350,447	$ -
Article 8	Streets & Road Maintenance	2021-22	1,135,102	1,135,102	317,977	817,125
	Total current year article 8 allocations		$ 1,639,355	$ 1,485,549	$ 668,424	$ 817,125

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:

Article	Projects	Amounts
Article 3	Old Town Sidewalk Connectivity	$ 434,807

Conrad

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

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*

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 Transportation Development Act Local Transportation Fund pursuant to Article 3 and Article 8, Section 99400(a) Fund ("TDA Funds") of the City of Victorville, California ("City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 21, 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, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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. We identified certain deficiencies in internal

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control, described in the accompanying schedule of findings and responses as item 2023-01 that we consider to be a material weakness and item 2023-02 that we consider 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 §6666 of Part 21 of the California Code of Regulations, 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 §6666 of Part 21 of the California Code of Regulations.

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.

Conrad LLP

Lake Forest, California
December 21, 2023

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Schedule of Findings and Responses

Fiscal Year Ended June 30, 2023

2023-01 Payroll Expenditures Not Supported
Material Weakness

Criteria:
Expenditures charged to the Fund should be supported by a warrant or source document (invoice, requisition, time sheet, equipment rental charge, etc.) clearly identifying the project or other pertinent data to establish a clear audit trail.

Condition:
During testing over payroll expenditures, the distribution of salaries and wages charged to the TDA Fund were not appropriately supported by personnel activity reports, detailed timesheets, or equivalent documentation. This is a repeated finding from fiscal year 2021-22. The City did not implement any corrective actions in fiscal year 2022-23, as the audit was not complete until May 2023.

Cause:
The City did not maintain source documents used to allocate salaries and benefits to the TDA Fund.

Effect:
The City included costs for payroll related expenditures which were supported by budgeted amounts, and not actuals.

Recommendation:
We recommend the City enhance its procedures to ensure that salaries and benefits charged to the TDA Fund are properly supported prior to charging amounts to the fund. This can be achieved through preparing and maintaining the personnel activity reports, detailed timesheets, or equivalent documentation used to allocate time to the TDA Fund in a timely fashion.

View of Responsible Officials:
The corrective action moving forward for FY2024. The City plans to evaluate the current method of estimating the employee's allocation percentage to MSI and TDA and assess the work performed by each employee to correctly attribute the correct charge to TDA and MSI. The City plans to accomplish this by meeting with department heads to discover a method of tracking time spent on TDA and MSI eligible activities to prepare a true-up entry each quarter.

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Schedule of Findings and Responses

Fiscal Year Ended June 30, 2023

2023-02 Bank Reconciliations
Significant Deficiency

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

Condition:
During procedures over cash and investments, we noted the City's bank reconciliation for June 2023 was not completed until November 2023.

Cause:
The City did not perform a timely bank reconciliation due to the departure of the accountant who prepared the monthly bank reconciliation and other unforeseen technical issues with the City's accounting systems.

Effect:
The bank reconciliation was not reviewed and approved until November 2023.

Recommendation:
We recommend that the City review the timing of its reconciliation procedures.

View of Responsible Officials:
The City is working towards streamlining the Bank Reconciliation process by implementing new methods of reconciling the different funding sources and cross-training Finance Technicians and Accountant on the accounting process. With additional help and with streamlining our reports and process, the City believes it will achieve a timely Bank Reconciliation.

CITY OF VICTORVILLE, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code and
Article 8, Section 99400(a) Public Utilities Code

Summary Schedule of Prior Audit Findings

Fiscal Year Ended June 30, 2023

Finding No.	Description	Status
2022-001	Financial Reporting	Implemented
2022-002	Payroll Expenditures Not Supported	Not Implemented, See 2023-01

CITY OF YUCAIPA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

CITY OF YUCAIPA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Fiscal Years Ended June 30, 2023 and 2022

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Conrad

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

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Transportation Development Act ("TDA") Article 3 Fund ("TDA Fund") of the City of Yucaipa, California ("City"), as of and for the years ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the City, as of June 30, 2023, and the respective changes in financial position of the TDA Fund of the City 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2023, , the changes in its financial position, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TDA Fund 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.

Other Matters

Prior Year Comparative Information
The financial statements of the City as of June 30, 2022, were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in its report dated January 27, 2023.

Supplementary 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* 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 19, 2023 on our consideration of the City's internal control over financial reporting for the TDA Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Conrad LLP

Lake Forest, California
December 19, 2023

CITY OF YUCAIPA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Comparative Balance Sheets

June 30, 2023 and 2022

	2023	2022
Assets		
Due from other governments (Note 4)	$ 140,230	$ 89,728
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities		
Due to the City of Yucaipa (Note 5)	$ 140,230	$ 89,728
Deferred inflows of resources		
Unavailable revenue (Note 4)	140,230	89,728
Fund (deficit) balance		
Unassigned (Note 6)	(140,230)	(89,728)
Total Liabilities, deferred inflows of resources, and fund balance	$ 140,230	$ 89,728

See accompanying notes to financial statements

CITY OF YUCAIPA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Comparative Statement of Revenues, Expenditures,
and Changes in Fund Balance

Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Revenues:		
TDA Allocation	$ -	$ -
Expenditures:		
TDA expenditures	50,502	89,728
Deficiency of revenues under expenditures	(50,502)	(89,728)
Fund (deficit) balance at beginning of year	(89,728)	-
Fund (deficit) balance at end of year	$ (140,230)	$ (89,728)

See accompanying notes to financial statements

CITY OF YUCAIPA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(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 Yucaipa, California ("City"), as of June 30, 2023, and 2022, 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.

(2) Summary of 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:

CITY OF YUCAIPA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(2) Summary of Significant Accounting Policies (Continued)

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. 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, reserves, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City accounts for the activity of the Article 3 funds in its TDA Fund which is a Capital Project Fund. Capital project funds are used for tracking the financial resources used to acquire or construct major capital assets.

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 are generally recorded when a liability is incurred.

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants, and contributions, is based on the primary characteristic from which the revenues are received by the City. For the City, funds received under TDA Article 3 possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 3 are recognized in the period when all eligibility requirements have been met.

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 within a timeframe to finance current year expenditures.

(2) Summary of Significant Accounting Policies (Continued)

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

- *Committed Fund Balance* – includes amounts that can be used only for the specific purposes determined by a formal action of the City.

- *Assigned Fund Balance* – includes amounts that are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.

- *Unassigned Fund Balance* – includes any deficit fund balance resulting from the timing of cash flows during the reimbursement process for which amounts had been restricted, committed, or assigned.

When restricted and unrestricted resources are available for expenditure for the same purpose, the City expends restricted resources before unrestricted resources. Within unrestricted resources, the fund balance is depleted in the order of committed, assigned, and unassigned.

Use of Estimates

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

CITY OF YUCAIPA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(3) Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The TDA Fund's cash and investments pool balance as of June 30, 2023 and 2022 was $0.

The City's internal investment pool is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the TDA Fund are those of the City and are disclosed in the City's basic financial statements.

See the City's basic financial statements for further detail.

(4) Due from Other Governments

Due from other governments for years ended June 30, 2023 and 2022 were $140,230 and $89,728, respectively. These amounts represents amounts that have been incurred by the City and expected to be reimbursed from SBCTA in the subsequent year. The amount is also included in unavailable revenues as it was not received within the City's period of availability.

(5) Due to the City of Yucaipa

Due to the City of Yucaipa of $140,230 and $89,728 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, 2023 and June 30, 2022, respectively.

(6) Deficit Fund Balance

The TDA fund ended the year with a deficit fund balance of $140,230 and $89,728 for year ended June 30, 2023 and 2022, respectively. 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.

CITY OF YUCAIPA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3. Section 99234 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(7) Restrictions

Funds received pursuant to the California Public Utilities Code §99234 (TDA Article 3) may only be used for facilities provided for exclusive use by bicycle and pedestrian facilities or bicycle safety education programs.

(8) Match Requirements

The Bus Stop Landing and Sidewalk Improvements for OmniGo Route 310 project requires a local match of 77.1%, or $169,681. The City has met the match requirements using local funds.

Supplemental Data

CITY OF YUCAIPA, CALIFORNIA

Transportation Development Act Local Transportation Fund
Article 3, Section 99234 Public Utilities Code

Schedule of Allocations Received and Expended, by Project Year

Fiscal Year Ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocation at 6/30/2022	Expenditures	Unspent Allocation at 6/30/2023
Article 3	Yucaipa City Wide Bus Stop Enhancements	2021-2022	$ 13,200	$ 13,200	$ -	$ 13,200
Article 3	Bus Stop Landing and Sidewalk Improvements for OmniGo Route 310	2015-2016	50,502	50,502	50,502	-
			$ 63,702	$ 63,702	$ 50,502	$ 13,200

Conrad

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

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*

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 Transportation Development Act Local Transportation Fund pursuant to Article 3 ("TDA Fund") of the City of Yucaipa, California ("City"), as of and for the years ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 19, 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, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 §6666 of Part 21 of the California Code of Regulations, 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 §6666 of Part 21 of the California Code of Regulations.

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.

Conrad LLP

Lake Forest, California
December 19, 2023

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS

FINANCIAL STATEMENTS
June 30, 2023 and 2022

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS

FINANCIAL STATEMENTS
June 30, 2023 and 2022

CONTENTS

CROWE LLP
Independent Member Crowe Global

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 (TDA) Article 3 and 8 Funds (TDA Funds) of the Town of Yucca Valley, California (Town), as of and for the year ended June 30, 2023, 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 TDA Funds of the Town, as of June 30, 2023, 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 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.

Other Matter

The financial statements of the TDA Funds of the Town for the year ended June 30, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on December 20, 2022.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the TDA Funds, governmental funds, and do not purport to, and do not, present fairly the financial position of the Town as of June 30, 2023, the changes in its financial position 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.

(Continued)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 consolidated 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 consolidated 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.

(Continued)

Additional Information

Management is responsible for the accompanying schedule of allocations received and expended, by project year (the “additional information”), which is presented for purposes of additional analysis and is not a required part of the financial statements. Our opinion on the financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

We read the additional information and considered whether a material inconsistency existed between the additional information and the financial statements, or the additional information otherwise appeared to be materially misstated. If, based on the work performed, we had concluded that an uncorrected material misstatement of the additional information existed, we would have described 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 3, 2024, 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.

Crowe LLP

Crowe LLP

Los Angeles, California
January 3, 2024

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
BALANCE SHEETS
June 30, 2023 and 2022

	2023 Article 3	2023 Article 8
ASSETS		
Cash and investments	$ -	$ 253,225
FUND BALANCE		
Restricted for transportation	$ -	$ 253,225

	2022 Article 3	2022 Article 8
ASSETS		
Cash and investments	$ -	$ 252,332
FUND BALANCE		
Restricted for transportation	$ -	$ 252,332

See notes to financial statements.

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES
Years Ended June 30, 2023 and 2022

	2023 Article 3	2023 Article 8
Revenues		
Interest income	$ -	$ 893
Expenditures		
TDA expenditures	-	-
Revenues over expenditures	-	893
Net change in fund balance	-	893
Fund balance, beginning of year	-	252,332
Fund balance, end of year	$ -	$ 253,225

	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)		
Transfers out to other Town funds	(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

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 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, 2023 and 2022, 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.

(Continued)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting: The Town accounts for the activity of the Article 3 and the Article 8 TDA Funds in its Article 3 Fund and Article 8 Fund, respectively, which are special revenue funds.

The accounts of the Town are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related benefits, and equity, segregated for the purpose of carrying out specific activities. The Town accounts for the TDA activities in separate general ledger accounts within its Article 3 and Article 8 special revenue funds.

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

Measurement Focus and Basis of Accounting: The special revenue funds of the Town are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred.

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

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

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.

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 Town considers restricted funds to have been spent first.

(Continued)

NOTE 3 – TRANSFERS OUT TO OTHER TOWN FUNDS

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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES –
BUDGET AND ACTUAL – TDA ARTICLE 3 FUNDS
Years ended June 30, 2023 and 2022

	Budget			Variance from Final Budget Positive
	Original	Final	Actual	(Negative)
June 30, 2023				
Revenues				
Interest income	$ -	$ -	$ -	$ -
Revenues over expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

	Budget			Variance from Final Budget Positive
	Original	Final	Actual	(Negative)
June 30, 2022				
Revenues				
Interest income	$ -	$ -	$ 22	$ 22
Revenues over expenditures	-	-	22	22
Other financing sources (uses)				
Transfers out to other Town funds	-	(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)

See note to required supplementary information.

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES –
BUDGET AND ACTUAL – TDA ARTICLE 8 FUNDS
Years ended June 30, 2023 and 2022

	Budget Original	Budget Final	Actual	Variance from Final Budget Positive (Negative)
June 30, 2023				
Revenues				
Interest income	$ 405	$ 405	$ 893	$ 488
Expenditures				
TDA expenditures	25,000	86,430	-	86,430
Net change in fund balance	(24,595)	(86,025)	893	86,918
Fund balance, beginning of year	252,332	252,332	252,332	-
Fund balance, end of year	$ 227,737	$ 166,307	$ 253,225	$ 86,918

	Budget Original	Budget Final	Actual	Variance from Final Budget Positive (Negative)
June 30, 2022				
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

See note to required supplementary information.

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Years ended June 30, 2023 and 2022

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.

ADDITIONAL INFORMATION

TOWN OF YUCCA VALLEY, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
Year ended June 30, 2023

Article	Project/Use	Year Allocated	Allocation Amount	Unspent Allocations at June 30, 2022	Expenditures	Unspent Allocations at June 30, 2023
Article 3	None	N/A	$ -	$ -	$ -	$ -
Article 8	Street & Roadside Maintenance	2019-20	$ 152,352	$ 137,319	$ -	$ 137,319

Crowe

CROWE LLP
Independent Member Crowe Global

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*

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 consolidated financial statements of Transportation Development Act (TDA) Article 3 and Article 8 Funds (TDA Funds) of the Town of Yucca Valley, California (Town), as of and for the years ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated January 3, 2024.

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. 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.

(Continued)

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 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.

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.

Crowe LLP

Crowe LLP

Los Angeles, California
January 3, 2024

Minute Action

AGENDA ITEM: 5

Date:* *March 14, 2024

Subject:
Memorandum of Understanding with the Southern California Regional Rail Authority to Memorialize Annual Funding Allocations

Recommendation:
That the Transit Committee recommend the Board, acting as the San Bernardino County Transportation Authority:

Approve Memorandum of Understanding No. 24-1003060 with the Southern California Regional Rail Authority to memorialize the annual funding allocation process for new capital, state of good repair and operations of Metrolink service, to which each year's funding allocations will be attached as an exhibit.

Background:
The Southern California Regional Rail Authority (SCRRA) Joint Powers Authority requires a preliminary budget to be presented to the member agencies by May 1st of each year as part of its annual budget cycle. Adoption of the final SCRRA budget by the SCRRA Board of Directors (Board) is contingent upon each of the five member agencies approving their financial contribution for the fiscal year. The five member agencies include San Bernardino County Transportation Authority (SBCTA), Los Angeles County Metropolitan Transportation Authority (Metro), Orange County Transportation Authority (OCTA), Riverside County Transportation Commission (RCTC), and Ventura County Transportation Commission (VCTC). The annual preliminary budget cycle includes funding requests for new capital, state of good repair, and operations of Metrolink service. Once approved by the member agencies' Boards of Directors, funding confirmation is provided to SCRRA either in the form of a funding commitment letter or a Memorandum of Understanding (MOU).

In previous budget cycles through this Fiscal Year (FY) 2023/2024, it has been SBCTA's process to provide a funding commitment letter confirming the Board-approved annual funding allocations to SCRRA, including any other pertinent information related to that year's budget cycle. However, the funding commitment letter generally focuses on funding allocations only, and does not touch on general policies and expectations of the roles and responsibilities of both SBCTA and SCRRA for rail operations within San Bernardino County. As such, staff is recommending a more formal process that not only memorializes each year's funding allocations, but also outlines general provisions regarding obligations and responsibilities of new capital, state of good repair, and operations of Metrolink service, including provisions for invoicing, insurance and indemnity.

The attached MOU No. 24-1003060 is intended to serve as a base agreement that memorializes standard general provisions as mentioned above, with each year's Board-approved funding allocations and associated projects attached as an exhibit each year. The base agreement may be updated each year as necessary, but will not have a termination date, unless otherwise requested by one or both parties, as each exhibit will represent the funding allocations for each fiscal year. Further, if this MOU is approved by the Board, the SCRRA FY 2023/2024 Preliminary Budget Request approved by the Board on June 7, 2023 will serve as the first exhibit (Exhibit A).

Entity: San Bernardino County Transportation Authority

As such, staff is recommending that the Transit Committee recommend the Board approve MOU No. 24-1003060 with SCRRA to memorialize the annual funding allocations for new capital, state of good repair, and operations of Metrolink service, to which each year's funding allocations will be attached as an exhibit.

Financial Impact:
This item has no financial impact on the adopted Budget for Fiscal Year 2023/2024.

Reviewed By:
This item is not scheduled for review by any other policy committee or technical advisory committee. SBCTA General Counsel and Risk Manager have reviewed this item and the draft Memorandum of Understanding.

Responsible Staff:
Victor Lopez, Director of Transit & Rail Programs

Approved
Transit Committee
Date: March 14, 2024

Witnessed By:

Contract Summary Sheet

General Contract Information

Contract No: 24-1003060 Amendment No.: ____

Contract Class: Payable Department: Transit

Vendor No.: 02003 Vendor Name: Southern California Regional Rail Authority (SCRRA)

Description: Memorialize annual funding allocations for each budget cycle, with each year's allocations as exhibit

List Any Related Contract Nos.: N/A

Dollar Amount

Original Contract	$	-	Original Contingency	$	-
Prior Amendments	$	-	Prior Amendments	$	-
Prior Contingency Released	$	-	Prior Contingency Released (-)	$	-
Current Amendment	$	-	Current Amendment	$	-
Total/Revised Contract Value	**$**	**-**	**Total Contingency Value**	**$**	**-**
			Total Dollar Authority (Contract Value and Contingency)	**$**	**-**

Contract Authorization

Board of Directors Date: 4/3/2024 Committee Item # ____

Contract Management (Internal Purposes Only)

Zero Dollar Contracts Sole Source? Yes N/A

Zero Dollar MOU/COOP/JPA (zero dollar contract) N/A

Accounts Payable

Estimated Start Date: 3/6/2024 Expiration Date: None (Evergreen) Revised Expiration Date: N/A

NHS: N/A QMP/QAP: N/A Prevailing Wage: N/A

	Fund	Prog	Task	Sub-Task	Object	Revenue	PA Level	Revenue Code Name	Total Contract Funding: $ -	Total Contingency: $ -
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-

Rebekah Soto
Project Manager (Print Name)

Victor Lopez
Task Manager (Print Name)

Additional Notes: This MOU serves as the "main body" with each year's Board-approved budget allocations attached as an exhibit. No payments will be made under this contract; all allocatons will be made using the existing PO numbers as we have done in the past.

Attachment: CSS - Revised - 08-25-2022 10.11am [Revision 2] (9982 : MOU No. 24-1003060 with SCRRA to Memorialize the Annual Funding

Form 200 11/2019

MEMORANDUM OF UNDERSTANDING NO. 24-1003060

BETWEEN

SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY

AND

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

FOR

THE ANNUAL FUNDING ALLOCATIONS FOR NEW CAPITAL, STATE OF GOOD REPAIR AND OPERATIONS OF METROLINK SERVICE

This Memorandum of Understanding ("MOU") is effective this _____ day of ___________, 2024, for the annual funding allocations for new capital, state of good repair, and operations of Metrolink service by and between the SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY (herein after referred to as "SBCTA") and the SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY (herein after referred to as "SCRRA"). SBCTA and SCRRA are sometimes individually referred to as "PARTY", and collectively referred to as "PARTIES".

RECITALS:

WHEREAS, the SCRRA is a Joint Powers Authority ("JPA") funded by five (5) member agencies, including Los Angeles County Metropolitan Transportation Authority ("LA Metro"), Orange County Transportation Authority ("OCTA"), Riverside County Transportation Commission ("RCTC"), San Bernardino County Transportation Authority ("SBCTA"), and Ventura County Transportation Commission ("VCTC"). Collectively, these agencies are the "Member Agencies," and each is a "Member Agency."

WHEREAS, the SCRRA provides commuter rail service through its operation of Metrolink, which operates to, and within, the Counties of Ventura, Los Angeles, Orange, Riverside, San Diego, and San Bernardino, of which SBCTA funds commuter rail services benefitting San Bernardino County on the San Bernardino Line ("SBL"), Inland Empire Orange County Line ("IEOC"), and Riverside County Line ("RVL") consistent with the existing cost sharing formulas established by the Joint Powers Agreement ("JPA"), to which SBCTA is a party.

WHEREAS, the SCRRA is authorized and directed to oversee, on SBCTA's behalf, the administration of shared use and/or joint facilities agreement between SBCTA (or its predecessors or successors in interest) and any freight rail operators, pursuant to Acknowledgement Agreement No. 22-1002751, dated December 13, 2021.

WHEREAS, SBCTA and SCRRA desire to enter into this MOU to define the respective responsibilities of SCRRA, as a sub-recipient of SBCTA federal, state, and local funds, for costs in connection with operations, the new capital and State of Good Repair (SGR) budget, and SCRRA's prior year SGR and new capital costs, sometimes referred to individually and collectively as "BUDGET".

WHEREAS, SCRRA's Operating BUDGET covers train operations, including operating crews, dispatching, equipment maintenance, fuel, non-scheduled rolling stock repairs, operating facilities maintenance, rolling stock lease payments, maintenance of way, security and guard services, public safety programs, passenger relations, existing ticket vending devices ("TVD") maintenance and revenue collection, information technology, marketing and market research, media and external relations, utilities and leases, passenger transfers to other operators, station maintenance, freight rail agreements and general administrative costs that support SCRRA Operations.

WHEREAS, SCRRA is responsible for the provision of all insurance coverage types and limits appropriate for operational and maintenance activities, as well as related legal and claims administration, including but not limited to Liability, Property, Automobile, Workers' Compensation, etc. It is understood that these limits and coverages may change from time to time, the changes of which shall be included in each annual BUDGET cycle, subject to approval by all Member Agencies; changes made at any other time must be approved by the Member Agencies.

WHEREAS, SCRRA's ongoing Capital BUDGET includes construction, improvements and State of Good Repair (SGR) work related to track, structure and signals, layover facility work at system maintenance facilities, as well as SBCTA's share of system-wide track, signal, information technology, communications, rolling stock, facilities, rubber tire vehicles, existing TVD and mechanical improvements.

WHEREAS, there is a separate MOU, Contract No. 20-1002367, approved by SBCTA and SCRRA for Arrow Service, that addresses the roles and responsibilities for operation of the multiple unit operation between San Bernardino – Downtown Station and Redlands – University Station.

NOW, THEREFORE, the PARTIES agree as follows:

I. TERM

a. This MOU shall remain in effect so long as SBCTA is a member of the JPA and shall not terminate prior to the completion of the disbursement of the New Capital, State of Good Repair (SGR) and Operating funds to SCRRA, which are disbursed across multiple annual funding cycles, and the completion of all reports, updates or any other documentation or responsibility of the PARTIES related to the projects in each annual BUDGET. In all events, this MOU shall terminate within the time limits set forth in applicable Federal Transit Administration (FTA) procedures and regulations or by express written consent mutually agreed upon by both PARTIES. As the terms and conditions set forth herein shall remain in effect unless otherwise modified, the annual subsidies for each BUDGET cycle shall be attached hereto as separate exhibits and provided on an annual basis upon approval by the SBCTA Board of Directors.

II. OBLIGATIONS AND RESPONSIBILITIES OF SCRRA

a. SCRRA agrees to provide weed abatement, debris removal, track maintenance, graffiti removal, and other related maintenance, at road crossings, as well as routine maintenance, inspection and repairs of track, structures, signal system, grade crossing warning system and communication infrastructure (collectively, "Maintenance of Way Services") within twenty (20) feet from the center line along all operational tracks within the San Gabriel Subdivision, Shortway Subdivision, or any other railroad rights of way which SBCTA may acquire in the future upon which SCRRA is the Operating Railroad, as defined by Title 49, CFR, Part 200-299, upon which passenger rail service is provided to and from San Bernardino County and within the above Subdivisions, including also the Rialto Subdivision, upon which freight rail track rights and appurtenant maintenance obligations exist pursuant to a shared use and/or joint facilities agreement administered by SCRRA on SBCTA's behalf.

b. As the Operating Railroad on behalf of SBCTA, SCRRA agrees to maintain track, signals, and crossing warning systems on the portion(s) of SBCTA-owned railroad rights of way upon which SCRRA operates Metrolink services or is otherwise subject to Surface Transportation Board jurisdiction ("ENS Signage and Maintenance Services"). SCRRA will post and maintain Emergency Notification Signs (ENS) at all crossings on the out of service areas as required by the Federal Railroad Administration (FRA), CFR Title 49 Part 234. The cost of all maintenance with respect to this Paragraph b incurred by SCRRA upon right of way which SCRRA does not operate Metrolink services will be tracked as a separate re-collectable project and billed separately to SBCTA outside of this MOU. Notwithstanding anything to the contrary in Article IV, SBCTA shall reimburse SCRRA for any maintenance performed pursuant to this paragraph b within 30 days of SBCTA's approval of a complete invoice. The invoice shall include documentation supporting the costs associated with the request for reimbursement. With respect to the Rialto Subdivision, SCRRA shall not perform any discretionary maintenance without SBCTA's prior written approval, unless such maintenance is wholly offset by payments from a freight rail operator.

c. Notwithstanding anything to the contrary in paragraphs a and b, above, or in Article IV, below, SCRRA shall not seek reimbursement from SBCTA to the extent maintenance costs are offset by compensation due to SBCTA but received by SCRRA directly from freight rail operators pursuant to freight rail operator obligations under shared use and/or joint facilities agreements administered by SCRRA on SBCTA's behalf.

d. SCRRA agrees to provide contracted law enforcement services for on-board and right-of-way incidents. The contracted law enforcement agency will provide full-service law enforcement services, which includes Coroner response and administrative support.

e. The contracted law enforcement agency will provide quarterly updates to the Member Agency Advisory Committee on the activities rendered, specifically types of services and location (including County). Of note, SCRRA currently uses the mile posts to identify where an incident occurs.
f. SCRRA agrees to provide special train service as included in the BUDGET and will coordinate schedules and service options with Member Agencies.
g. SCRRA agrees to establish fiscal controls and accounting procedures sufficient to assure proper accounting for all transactions, so that audits may be performed.
h. SCRRA shall use accounting and fiscal procedures conforming to generally accepted accounting principles (GAAP or GASB).
i. SCRRA agrees to comply with the requirements of 49 CFR, Part 26, et. seq., and all other FTA Disadvantaged Business Enterprise (DBE) rules, regulations, and policies in carrying out this MOU, and shall implement a stand-alone DBE Program that includes goal setting, outreach, monitoring, and reporting. SCRRA shall create and maintain records of compliance with the DBE obligations in this MOU and provide compliance information to SBCTA upon request.
j. SCRRA will ensure all federal funding allocated by SBCTA is processed and submitted on behalf of SBCTA to the FTA within the fiscal year allocated by the SBCTA Board of Directors.
k. SCRRA will provide quarterly reports summarizing annual actual data versus BUDGET to assist in the measurement of performance metrics.
l. SCRRA agrees to monitor expenditure deadlines for federal and state funding, and notify SBCTA one (1) year in advance of any potential loss of funds due to an inability to expend them by the deadline.
m. As applicable, SCRRA will prepare and submit all required reports to federal and state agencies in a timely manner, by the due dates established by those agencies, in order to avoid any penalties that could impair funding to SBCTA.
n. SCRRA will participate in SBCTA's Multimodal Interconnectivity Working Group, which serves as a collaborative environment with Metrolink and local bus operators, who provide feedback and advise on current and future service planning endeavors that focus on enhancing the customer experience through targeting seamless connections and transfer times, schedule modifications, and expansion and identification of relevant grant opportunities, including, but not limited to the following:
    i. Connecting services, including Arrow service and the future Brightline West and Tunnel to Ontario International Airport (ONT);
    ii. First/Last Mile Shuttle Pilot Program with Omnitrans to improve transit connections to Metrolink:
        1. SB Connect Shuttle from the San Bernardino – Downtown Station to offices, public services, and the courts, and

2. ONT Connect Shuttle from the Metrolink Rancho Cucamonga Station to Ontario International Airport;

iii. Tunnel to Ontario International Airport and Brightline West service at Cucamonga Metrolink station;

iv. San Bernardino Line Lilac to Rancho Double Track Project, or a portion thereof ;

v. Conversion of Diesel Multiple Units (DMUs) to Zero Emission Multiple Units (ZEMUs); and

vi. Redlands to Los Angeles Union Station Multiple Unit Implementation Plan

III. OBLIGATIONS AND RESPONSIBILITIES OF SBCTA

a. SBCTA shall participate in BUDGET development discussions with SCRRA and Member Agencies as part of the Member Agency Advisory Committee (MAAC) and provide feedback and concurrence on proposed annual projects, operations, and anticipated service needs or modifications.

b. SBCTA shall submit the annual BUDGET request to the SBCTA Board of Directors and provide written concurrence to SCRRA confirming any Board approval, allocation amounts and funding sources.

c. SBCTA shall provide feedback and coordinate grant efforts on projects, led by SBCTA or SCRRA, that benefit San Bernardino County, where applicable.

d. SBCTA shall review each SCRRA invoice for State of Good Repair (SGR) and SBCTA-approved New Capital project costs to ensure eligibility for federal reimbursement and provide concurrence to SCRRA for making timely drawdown requests to FTA for eligible expenses following approval of the invoice.

e. SBCTA shall provide SCRRA with appropriate documentation and other data as needed in coordination of audit activities and similar requests.

IV. INVOICING

a. SCRRA shall adhere to the following guidelines for invoicing and managing of Operations:

i. SCRRA shall only utilize funding for specific line items of the approved Operating BUDGET. Any revisions to specific line items will utilize the BUDGET transfer process as outlined in SCRRA's Board approved Finance Policy 1.2 and shall include concurrence by SBCTA. For any SCRRA spending that will increase the SCRRA-approved Operating BUDGET and require an increase in Member Agency contribution, SCRRA shall obtain SBCTA approval before entering any contractual relationship that may affect SBCTA's obligations, including but not limited to, funding obligations.

ii. SCRRA shall obtain written approval from the SBCTA Board of Directors prior to allocating and expending Deferred Revenue funds.

b. SCRRA shall adhere to the following guidelines for invoicing and managing of New Capital and State of Good Repair (SGR) projects:

i. SCRRA shall invoice SBCTA on a quarterly basis for reimbursement of eligible expenses by submitting a Quarterly Progress/Expenditure Report. Each invoice and accompanying Quarterly Progress/Expenditure Report shall include sufficient back-up documentation to the project level so that expenses can be tracked on a project-by-project basis. Documentation shall include copies of vendor invoices, material acquired, percent completion, timesheets, and any other documentation justifying payment to SCRRA. For fixed fee contracts, in addition to the above-mentioned documentation, SBCTA requires the milestone schedule, corresponding payment schedule, and a copy of the completed study, if applicable. No retention will be withheld by SBCTA.

ii. Aggregate invoices provided for under this Section IV shall not exceed the approved total program amount of each year as specified in the annual BUDGET request.

iii. SCRRA shall invoice SBCTA no more than the total annual approved amounts for New Capital and SGR work, excluding deferred revenue or savings from other projects completed under BUDGET currently in SCRRA's possession, for all outstanding SBCTA programmed authority, including projects programmed in previous periods. Should SCRRA provide sufficient documentation to substantiate a greater cash flow requirement, SBCTA shall review and increase necessary cash flow adjustments that would otherwise prevent SCRRA from implementing SBCTA approved projects, subject to the approval by the SBCTA Board of Directors.

iv. SCRRA, as designated applicant/recipient of FTA funds, shall comply with all applicable grant agreements and Federal requirements for projects it determines is eligible to receive federal funds.

v. SCRRA shall be responsible for managing and tracking the BUDGET and payment of eligible costs for projects in accordance with applicable Federal requirements and will retain and provide all required documentation and reports necessary to comply with Federal requirements and requests for information.

vi. New Capital and State of Good Repair (SGR) funds allocated for each year are subject to lapse and subsequent rescission in future years if not fully expended. Any unexpended funds, excluding funds approved by SBCTA for extension, will be subject to reprogramming by the SBCTA Board of Directors one (1) year prior to potential rescission.

vii. Final invoices for funds programmed as part of the annual BUDGET must be submitted before the end of the fiscal year on June 30th. Final invoices for period of performance ending June 30th shall be submitted within 90 days. SCRRA shall also submit an invoice estimate for pending invoices with the period of performance ending June 30th within 60 days of the fiscal year.

viii. SBCTA shall pay invoices within 30 days of receiving a complete invoice with associated back-up documentation from SCRRA.

ix. SBCTA shall notify SCRRA within 15 days of receipt of an invoice if additional information, back-up documentation or clarification is required before payment can be issued.

c. Invoices referencing this MOU No. 24-1003060 shall be e-mailed to SBCTA at the following address:

AP@gosbcta.com

V. AUTHORIZED REPRESENTATIVES

a. The persons signing this MOU represent that they are authorized to execute this MOU on behalf of their respective PARTY, and that, by so executing this MOU, the PARTIES hereto are formally bound to the provisions of this MOU.

VI. INDEMNITY

a. SCRRA shall indemnify, defend (with legal counsel reasonably approved by SBCTA), and hold harmless SBCTA, its officers, directors, members, employees, contractors and agents from and against any and all claims (including attorney's fees and reasonable expenses for litigation or settlement) for any loss or damages, bodily injuries, including death, worker's compensation subrogation claims, damage to or loss of use of property caused by the negligent acts, omissions or willful misconduct by SCRRA, its officers, directors, employees, contractors or agents in connection with or arising out of the performance of this MOU. Funds required to satisfy this indemnity obligation shall be subject to contribution consistent with SCRRA's Board approved traditional expense allocation methodology.

b. SBCTA shall indemnify, defend, (with legal counsel reasonably approved by SCRRA) and hold harmless SCRRA, its officers, directors, member agencies, employees, contractors and agents from and against any and all claims (including attorney's fees and reasonable expenses for litigation or settlement) for any loss or damages, bodily injuries, including death, worker's compensation subrogation claims, damage to or loss of use of property caused by the negligent acts, omissions or willful misconduct by SBCTA, its officers, directors, employees, contractors or agents in connection with or arising out of the performance of this MOU.

c. The indemnification and defense obligations of this MOU shall survive its expiration or termination.

VII. INSURANCE

a. SCRRA has submitted current fiscal year evidence of insurance to the satisfaction of SBCTA. SCRRA will provide SBCTA with a certificate of insurance annually. SCRRA shall maintain, for the duration of this MOU, current or greater levels of insurance coverage, as approved by SCRRA's Board of Directors from time to time, against claims for injuries to persons, or damages to property, which may arise from or in connection with SCRRA rail operations or construction by the

SCRRA, its agents, representatives, employees, or subcontractors on SBCTA property. If SCRRA proposes to reduce coverage or limits or increase deductibles or self-insured retentions in future fiscal years, then such changes shall only take place upon approval by the Member Agencies. SCRRA contractors shall maintain levels of insurance deemed appropriate by SCRRA; SBCTA shall be covered to the full extent that SCRRA is covered by such policies of insurance, subject to said policies terms and conditions.

VIII. GENERAL PROVISIONS

a. Modification: The PARTIES may amend this MOU in writing at any time. No amendment shall have any force or effect unless executed in writing by both PARTIES.

b. Severability: If any term, provision, covenant, or condition of this MOU is held to be invalid, void or otherwise unenforceable, to any extent, by any court of competent jurisdiction, the remainder of this MOU shall not be affected thereby, and each term, provision, covenant or condition of this MOU shall be valid and enforceable to the fullest extent permitted by law.

c. Laws and Regulations: SBCTA and SCRRA shall comply with all applicable federal, state, and local laws, statues, ordinances, and regulations of any governmental authority having jurisdiction over the BUDGET or any of the activities funded under the BUDGET.

d. Force Majeure: Either PARTY shall be excused from performing its obligations under this MOU during the time and to the extent that it is prevented from performing by an unforeseeable cause beyond its control, including but not limited to: any incidence of fire or flood; acts of God; commandeering of material, products, plants or facilities by the federal, state or local government; or national fuel shortage when the excused PARTY gives the other PARTY written notice within forty-eight (48) hours, and provides satisfactory evidence of such cause to the other PARTY, and provided further that such nonperformance is unforeseeable, beyond the control of and not due to the fault or negligence of the PARTY not performing.

e. Assignment: Neither this MOU, nor any of the PARTIES' rights, obligations, duties, or authority hereunder, may be assigned in whole or in part by either PARTY without the prior written consent of the other PARTY in its sole and absolute discretion. Any such attempt of assignment shall be deemed void and of no force and effect. Consent to one assignment shall not be deemed consent to any subsequent assignment, nor a waiver of any right to consent to such subsequent assignment.

f. Notices: Any notices, requests or demands made between the PARTIES pursuant to this MOU should be sent via email or hard copy to be directed as follows:

TO SCRRA:	900 Wilshire Blvd, Suite 1500 Los Angeles, CA 90017 Attention: Darren Kettle Chief Executive Officer Email: kettled@scrra.net Telephone: (213) 452-0255
TO SBCTA:	1170 W. 3RD St, 2nd Floor San Bernardino, CA 92410 Attention: Raymond W. Wolfe, PhD Executive Director Email: rwolfe@gosbcta.com Telephone: (909) 884-8276

g. Successors and Assigns: The provisions of this MOU shall bind and inure to the benefit of each of the PARTIES hereto, and all successors or assigns of the PARTIES hereto.

h. Survival: All rights and obligations hereunder that by their nature are to continue after any expiration or termination of this MOU, including, but not limited to, the indemnification, reporting, auditing, repayment of improperly expended funds, and records maintenance obligations, shall survive any such expiration or termination.

i. SBCTA and SCRRA agree that PARTIES will at all times comply with provisions of the JPA as amended and as it may be amended in the future by SBCTA and the other Member Agencies. Nothing in this MOU is intended to amend or supersede any provisions of the JPA, and in the event of any conflict between the JPA and this MOU, the JPA shall take precedence.

j. Signatures: A manually signed copy of this MOU which is transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this MOU for all purposes. This MOU may be signed using an electronic signature.

k. Recitals: The RECITALS to this Agreement are hereby incorporated into and made a part hereof as though fully set forth herein.

This MOU shall be made effective upon execution by both PARTIES.

---------------------------SIGNATURES ON THE FOLLOWING PAGE--------------------------

IN WITNESS WHEREOF, the **PARTIES** hereto have caused this MOU to be entered into as of the date set forth above.

SOUTHERN CALIFORNIA REGIONNAL RAIL AUTHORITY	**SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY**
By:______________________________ Darren Kettle CEO, SCRRA	By:______________________________ Dawn M. Rowe President, Board of Directors
Date: ______________________________	Date: ______________________________
Approved as to form:	Approved as to form:
By: ______________________________ Don Del Rio General Counsel	By: ______________________________ Julianna K. Tillquist General Counsel
Date: ______________________________	Date: ______________________________

EXHIBIT A

FISCAL YEAR 2023/2024 BUDGET FOR METROLINK SERVICE

ORIGINAL AND AMENDMENT

Minute Action

AGENDA ITEM: 19

Date: June 7, 2023

Subject:
Southern California Regional Rail Authority Preliminary Budget Request for Fiscal Year 2023/2024 for Metrolink Service

Recommendation:
That the Board, acting as the San Bernardino County Transportation Authority (SBCTA):

A. Approve the Southern California Regional Rail Authority (SCRRA) Preliminary Budget Request for Fiscal Year (FY) 2023/2024, with a total SBCTA annual subsidy totaling ~~$47,317,986~~ **$46,859,778** for: Operating assistance in the amount of ~~$29,264,114~~ **$28,892,306**, State of Good Repair (formerly referred to as Rehabilitation) assistance in the amount of $15,050,752, and New Capital assistance in the amount of ~~$3,003,120~~ **$2,916,720**.

B. Approve the SCRRA Fiscal Year 2023/2024 Working Capital Long Term Loan Request in the amount of $5,330,000, contingent on the development and subsequent approval of an associated policy by the SCRRA Board of Directors and concurrence from all five Member Agencies.

C. Approve the funding allocations to support funding for Recommendation A, totaling ~~$47,317,986~~ **$46,859,778**, to fund SBCTA's annual subsidy of the FY 2023/2024 Budget: ~~$29,264,114~~ **$28,892,306** of Valley Local Transportation Funds (LTF), ~~$2,198,902~~ **$2,112,502** of State Transit Assistance-Operator (STA-Op) funds, $15,559,586 of Federal Transit Administration, Section 5337 funds, and $295,384 of Senate Bill 1 State of Good Repair-Operator (SB1 SGR-Op) funds.

D. Approve the funding allocation to support funding for Recommendation B, totaling $5,330,000 of Valley LTF to fund SBCTA's share of the FY 2023/2024 Working Capital Long Term Loan.

E. Approve a budget amendment to the Fiscal Year 2023/2024 Budget, Task No. 0314 Transit Operations, by ~~$4,264,114~~ **$3,892,306** in Valley LTF and by ~~$2,198,902~~ **$2,112,502** in STA-Op funds for a total net increase of ~~$6,463,016~~ **$6,004,808**.

F. Approve replacing $495,652 of STA-Op funding, previously budgeted and allocated as part of the FY 2018/2019 Budget, with $495,652 of SB1 SGR-Op funds, for a no-net increase for that fiscal year.

Background:
The Southern California Regional Rail Authority (SCRRA) Joint Powers Authority (JPA), requires a preliminary budget to be presented to the member agencies by May 1st of each year. Adoption of the final SCRRA budget by the SCRRA Board of Directors (Board) is contingent upon each of the five member agencies approving their financial contribution for the fiscal year. The five member agencies include San Bernardino County Transportation Authority (SBCTA), Los Angeles County Metropolitan Transportation Authority (Metro), Orange County Transportation Authority (OCTA), Riverside County Transportation Commission (RCTC), and Ventura County Transportation Commission (VCTC). Formal development of the Fiscal Year

(FY) 2023/2024 Budget began in early 2023, with budget development updates presented to the SCRRA Member Agency Advisory Committee (MAAC) in March and April 2023.

There are two key funding sources for the operating budget: 1) fare revenue from riders; and 2) corresponding subsidies from member agencies. The designation of the novel coronavirus (COVID-19) as a pandemic by the World Health Organization and subsequent national, state and local declarations of emergency in March 2020, led to a precipitous decline in ridership in response to health guidelines and have continued beyond initial expectations, including telework as an ongoing form of work, recovering office occupancy rates, and overall shift in demand. While many companies have lifted stay-at-home orders and federal and state mandates related to social distancing and wearing of masks have been lifted, ridership and subsequent fare revenues have continued to perform under budget. As a result, the impact of COVID-19 has significantly disrupted the budget process and impeded SCRRA's ability to transmit a completed Proposed FY 2023/2024 Budget by the deadline prescribed by the JPA.

On April 28, 2023, the SCRRA Board of Directors approved the deferral of the FY 2023/2024 Budget transmittal to May 26, 2023 to allow for additional time to complete development and respond to all Member Agency questions and comments. ~~As the FY 2023/2024 Budget has not yet been formally transmitted to the Member Agencies at the time of this item presentation, it should be noted that the Budget presented today is a draft and will not be considered final until formally approved by all five (5) Member Agencies. Any modifications of the final approved FY 2023/2024 Budget will be noted and presented to the SBCTA Board of Directors.~~ **At the time the FY 2023/2024 Preliminary Budget Request for Metrolink Service was presented to the SBCTA Transit Committee, on May 11, 2023, the FY 2023/2024 Budget had not yet been formally transmitted to the Member Agencies. However, on May 12, 2023, SCRRA staff presented the FY 2023/2024 Preliminary Budget Request to its Audit and Finance Committee, which included slight modifications to the Operations and New Capital budgets that decreased SBCTA's subsidy amounts originally presented to the SBCTA Transit Committee by $371,808 and $86,400, respectively. These changes have been updated in this item, including the PowerPoint presentation, all tables and figures, as well as attachments to the SBCTA Board.**

The first budget update presented to SBCTA, at the staff level, was at a scheduled one-on-one meeting between SBCTA and SCRRA on March 23, 2023, followed by an updated presentation to the scheduled Member Agency Advisory Committee (MAAC) on April 6, 2023. The Operations staff was provided with a preliminary FY 2023/2024 system-wide operating statement that included estimated fare revenue and total expenses for FY 2023/2024. For the FY 2023/2024 State of Good Repair (SGR) and New Capital, staff was provided with a proposed list of projects, which included the description and cost for each project, and allowed for a period of review and comment by each Member Agency. SCRRA staff responded to questions and comments received from Member Agencies throughout the month of April.

Year-to-Date for the eight months ended February 2023, system-wide revenue recovery was budgeted at 59 percent, while the actual recovery is 40 percent. This variance creates a fare box revenue shortfall from the budget of $9.5 million. In Table 1 on the following page, the chart shows the percent of the total fare box revenue contributed by each of the Operating Lines through February, and the percentage by which each line deviates from the budget.

Table 1. FY 23 Budget vs Actual Fare box Revenue by Line

Year to Date through FEB 2023

LINE	BUDGET	% of Total Budgeted Revenue	ACTUAL	% of Total Actual Revenue	VARIANCE FAV/(UNFAV)	% Variance from Budget
San Bernardino County	$ 8,393,061	28%	$ 5,722,002	28%	$ (2,671,059)	-32%
Ventura County	1,811,772	6%	1,469,218	7%	(342,554)	-19%
Antelope Valley	4,972,607	17%	3,261,730	16%	(1,710,877)	-34%
Riverside County	1,820,410	6%	1,393,319	7%	(427,091)	-23%
Orange County	5,729,776	19%	4,603,024	23%	(1,126,752)	-20%
Inland-Empire/OC	4,067,895	14%	1,985,791	10%	(2,082,104)	-51%
91 Line	3,104,544	10%	1,947,826	10%	(1,156,718)	-37%
TOTAL	$ 29,900,065	100%	$ 20,382,909	100%	$ (9,517,155)	-32%

Year-to-Date system-wide ridership was forecasted at a recovery of 58 percent, while actual ridership recovery is 42 percent. Table 2 below, displays the percent of the total ridership carried by each line through February 2023, and the percentage by which each line deviates from the forecast.

Table 2. FY23 Forecast vs Actual Ridership by Line

Year to Date through FEB 2023

LINE	Forecasted Boardings	% of Forecasted Boardings	ACTUAL Boardings	% of Total Actual Boardings	VARIANCE FAV/(UNFAV)	% Variance from Budget
San Bernardino County	1,426,186	31%	1,016,259	31%	(409,927)	-29%
Ventura County	283,093	6%	259,247	8%	(23,846)	-8%
Antelope Valley	839,760	18%	553,828	17%	(285,932)	-34%
Riverside County	233,490	5%	167,075	5%	(66,415)	-28%
Orange County	794,871	17%	639,234	19%	(155,636)	-20%
Inland-Empire/OC	605,844	13%	356,723	11%	(249,120)	-41%
91 Line	401,811	9%	301,331	9%	(100,480)	-25%
TOTAL	4,585,054	100%	3,293,697	100%	(1,291,357)	-28%

In response to the effects of the COVID-19 pandemic, and related decline in Metrolink ridership, as well as ongoing delay between projected recovery in the November 2021 analysis and actual ridership, SCRRA worked with third-party consultants, KPMG and Sperry Capital, to develop a new forecast for FY 2022/2023 through FY 2026/2027 (Ridership and Revenue Forecast FY 2022/2023 – FY 2026/2027). This allows SCRRA to better reflect ridership recovery and anticipate revenue for future budget developments, beginning with this FY 2023/2024 Preliminary Budget. This forecast included the development of three scenarios: High, Medium and Low growth scenarios. The results of this forecast were presented to the SCRRA Board of Directors on February 24, 2023, where the Board unanimously adopted the use of the Low Growth Scenario for the FY 2023/2024 Budget. Figure 1 and Table 3 on the following page, shows a high-level overview of the three growth scenarios and how they compared to the November 2021 forecast.

Figure 1. Ridership Recovery Scenario Comparison

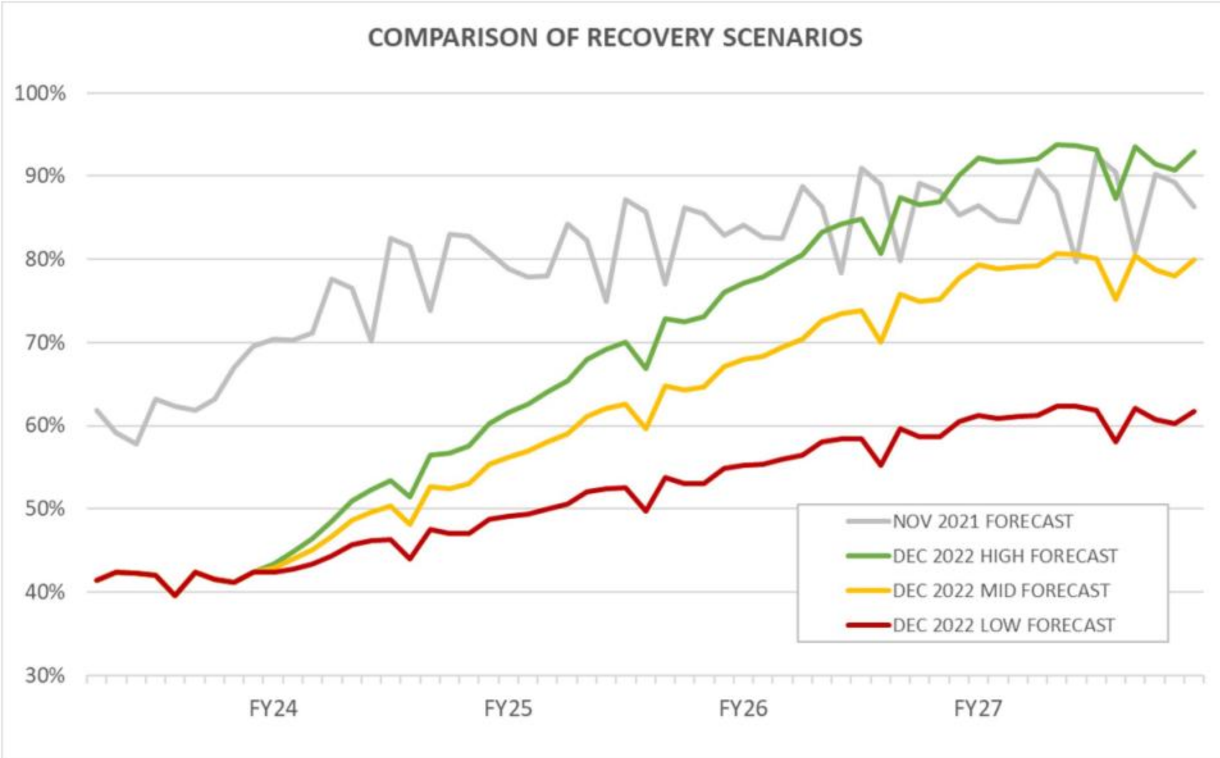


Table 3. Ridership Recovery Scenario Percentage Comparison

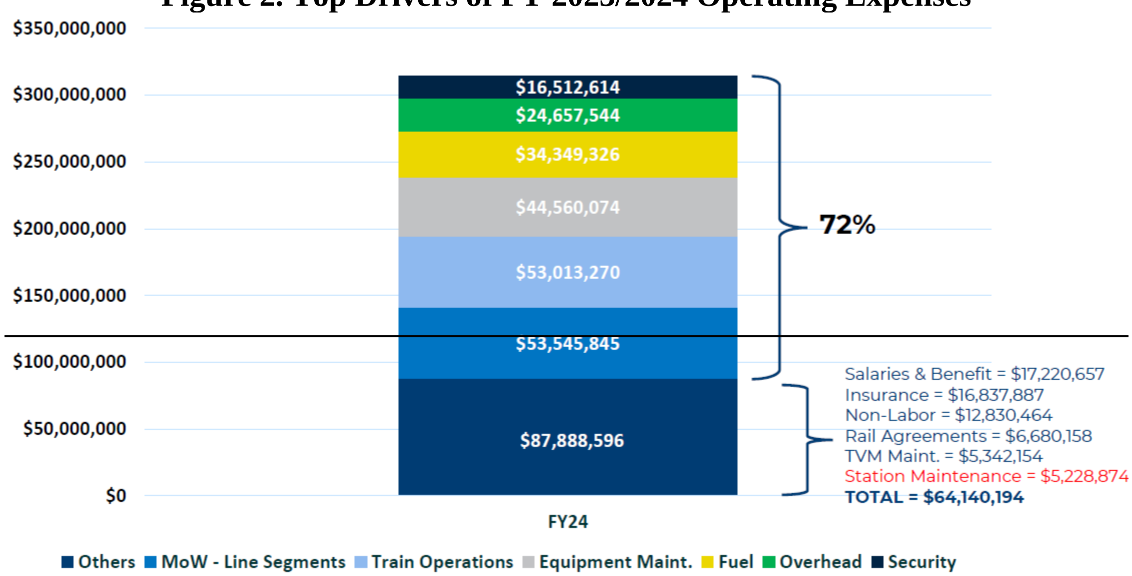
Scenario	FY24	FY25	FY26	FY27
High Growth	52%	69%	83%	92%
Medium Growth	49%	61%	72%	79%
Low Growth	45%	52%	58%	61%
Nov 2021 Forecast	77%	82%	85%	87%

Under the Low Growth Scenario, ridership is anticipated to be 45 percent of its pre-pandemic ridership by the end of this FY, with 61 percent anticipated by FY 2026/2027. At the time of this report, ridership recovery has consistently hovered between 40-43 percent since June 2022. The FY 2023/2024 Preliminary Budget Request assumes full service restoration before the end of the FY. Ridership will continue to be closely monitored and any change to service levels will be based on load factors and ridership.

Although SCRRA has deferred the formal approval and transmittal of the Preliminary FY 2023/2024 Budget, Member Agencies have been provided with the proposed Capital, SGR (formerly referred to as Rehabilitation) and Operating costs. The proposed costs and the intended request is attached hereto as the presentation in Attachment A and includes new budgetary authority of approximately ~~$480.5 million~~ **$453.5 million**. The proposed budget consists of operating budget authority of approximately **$303 million requiring a subsidy of** ~~$260.4 million~~ **$250.7 million**, an increase compared to the FY 2022/2023 Adopted Budget, which was $230 million. The Capital Program authority totals approximately ~~$170.16 million~~ **$150.1 million**, an increase compared to the FY 2022/2023 Adopted Budget of ~~$106.6 million~~ **$50.7 million**. The SGR Program has been reduced to include critical and high priority needs; maintenance of the equipment and infrastructure in a state of good repair is the focus. SCRRA is requesting SBCTA to provide the following subsidy amounts; ~~$29,264,114~~ **$28,892,306** for Operating, $15,050,752 for SGR Projects, ~~$3,003,120~~ **$2,916,720** for New Capital Projects, which focuses on facilities, rolling stock, information technology, and business systems, as well as $5,330,000 Working Capital Long Term Loan, a first of its kind request as part of the annual preliminary budget request. The fund sources are identified in Recommendations C and D.

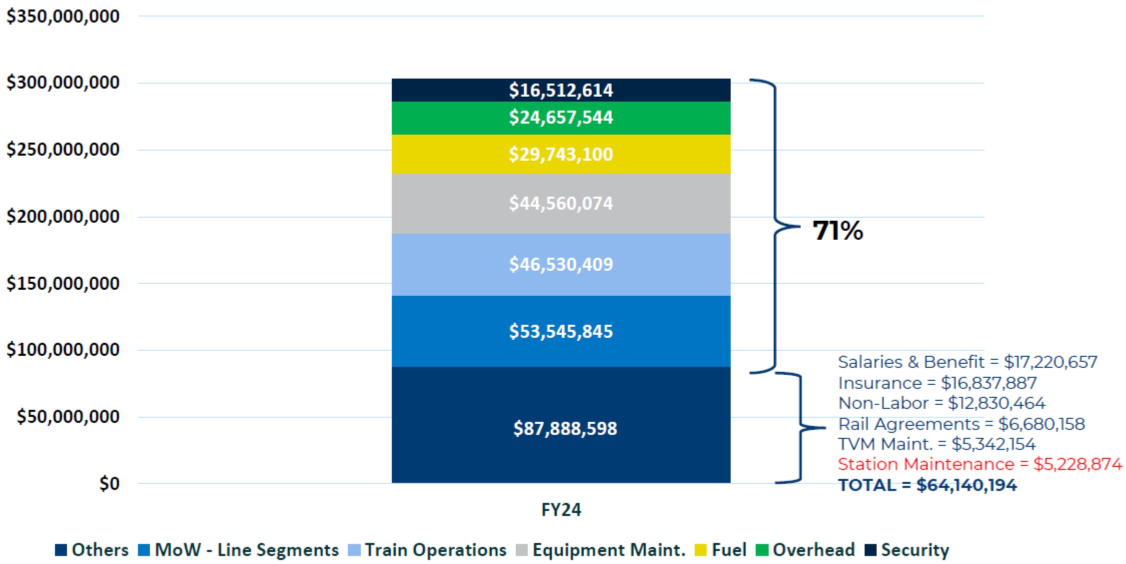
SBCTA's share of the FY 2023/2024 operations subsidy increased by ~~$4,039,371~~ **$3,667,563** from the FY 2022/2023 Adopted Budget, or ~~16 percent~~ **14.5 percent**, which is largely driven by the decrease in projected fare box revenues, as well as other key factors, such as an increase in several other key categories of the budget. The total FY 2023/2024 Operating Expenses for these categories are approximately $87.9 million in rail agreements, station and ticket vending device maintenance, salaries and benefits, and insurance; $53.6 million in maintenance-of-way; ~~$53 million~~ **$46.5** million in train operations; $44.6 million in equipment maintenance; and a combined ~~$76.6 million~~ **$70.9 million** for the cost of fuel, overhead, and security. **Revised** Figure 2 ~~below~~ **on the following page** provides a breakdown of these costs. **Additionally, Attachments B through E provided more details on individual operating cost line items, the cost by line and per Member Agency, historical and actual operating costs, as well as forecasted operating costs through FY 2026/2027.**

~~**Figure 2. Top Drivers of FY 2023/2024 Operating Expenses**~~



Note:
- MoW – Line Segments = Tracks & Signals and Structures
- Station Maintenance increase driven by CAM Union Station annual increase

(Revised below) Figure 2. Top Drivers of FY 2023/2024 Operating Expenses



Note:
- MoW – Line Segments = Tracks & Signals and Structures
- Station Maintenance increase driven by CAM Union Station annual increase

This operating budget request includes the FY 2023/2024 funding needed to continue the Metrolink San Bernardino Line Fare Discount Program, which has been ongoing since July 2018. It should be noted that the total operating assistance allocation requested in Recommendation A does not include operational expenses for Arrow Service. The FY 2023/2024 Preliminary Budget Request for Arrow Service will be presented as a separate item. SBCTA originally budgeted $25 million to accommodate the potential FY 2023/2024 operating budget during the annual budgeting process. With the latest operating subsidy increase, the budget amendment identified in Recommendation E will provide SBCTA the financial capacity to support SBCTA's subsidy share.

SCRRA has provided a cash flow for the SGR Program and the New Capital Program over the next four fiscal years in the Proposed FY 2023/2024 Budget. The combined request reflects an increase of ~~60 percent~~ **43 percent** in SBCTA's share as compared to the FY 2022/2023 Adopted Budget. The SGR Program allows for the railroad to be maintained in a state of good repair, including track and structure projects, systems, rolling stock, and facilities improvements. Projects are prioritized and optimized to address the most pressing system-wide rehabilitation needs. The FY 2023/2024 SGR proposed amount of approximately $149.3 million, of which $15.1 million is SBCTA's share, does not include drawdown on the existing SGR backlog, as identified in the Metrolink Rehabilitation Plan (MRP), which was developed in 2018 by SCRRA staff and is regularly updated based on need and data identified in the subsequent SGR Financial Plan, developed in 2021 by SCRRA staff. The objective of the program is to rehabilitate and replace the most critical priorities of aging track, railroad structures, vehicles, and facilities currently in use by Metrolink's daily commuter rail service, Amtrak service, other railroad partner services and to maintain on-time service. This plan identified a substantial backlog of rehabilitation needs, the current backlog amount is approximately $600 million and has an on-going annual need of $96.1 million in 2023 dollars.

These numbers have not yet been broken down by Member Agency; however, the 2018 MRP shows SBCTA's share of the backlog at an estimated $70 million with the annual need estimated at $12.1 million in 2021 dollars; these figures will be increased according to the SGR Financial Plan. With the approval of Senate Bill 1 (SB1), SCRRA directly receives approximately $295,000 annually from SB1 State of Good Repair-Operator Share (SGR-Op) funds, plus SBCTA receives approximately $2.4 million of SB1 SGR-Population Share funding that is programmed for both bus and rail needs based on need and project eligibility to Valley-area projects, and could be used to help fund the backlog. This is in addition to an estimated $15 million apportionment of Federal Transit Administration Section 5337 funds that SBCTA receives annually for Valley-area rail rehabilitation needs. The cash flow for State of Good Repair requests over the next four years is shown in Table 4 below; however, SBCTA would be committing the full four-year funding up front with this proposed subsidy allocation. A detailed list of SGR projects is available by Member Agency and by line in ~~Attachment B~~ **Attachment F**.

~~Table 4. SGR Cash Flow for FY 2023/2024 through FY 2026/2027~~

Cash Basis	METRO	OCTA	RCTC	SBCTA	VCTC	OTHER	TOTAL
FY24 State of Good Repair	$85.6M	$25.2M	$13.2M	$14.8M	$8.8M	$0.0M	$147.6M
	CASH OUTLAY						
2023-24	$4.3M	$1.3M	$0.7M	$0.7M	$0.4M	$0.0M	$7.4M
2024-25	$30.0M	$8.8M	$4.6M	$5.2M	$3.1M	$0.0M	$51.7M
2025-26	$25.7M	$7.6M	$4.0M	$4.4M	$2.7M	$0.0M	$44.3M
2026-27	$25.7M	$7.6M	$4.0M	$4.4M	$2.7M	$0.0M	$44.3M
Totals	$85.6M	$25.2M	$13.2M	$14.8M	$8.8M	$0.0M	$147.6M

Note: Numbers may not foot due to rounding

(Revised) Table 4. SGR Cash Flow for FY 2023/2024 through FY 2026/2027

Cash Basis	METRO	OCTA	RCTC	SBCTA	VCTC	OTHER	TOTAL
FY24 State of Good Repair	$63.4M	$25.5M	$13.4M	$15.1M	$12.5M	$0.0M	$129.8M
	CASH OUTLAY						
2023-24	$3.2M	$1.3M	$0.7M	$0.8M	$0.6M	$0.0M	$6.5M
2024-25	$22.2M	$8.9M	$4.7M	$5.3M	$4.4M	$0.0M	$45.4M
2025-26	$19.0M	$7.7M	$4.0M	$4.5M	$3.7M	$0.0M	$38.9M
2026-27	$19.0M	$7.7M	$4.0M	$4.5M	$3.7M	$0.0M	$38.9M
Totals	$63.4M	$25.5M	$13.4M	$15.1M	$12.5M	$0.0M	$129.8M

Note: Numbers may not foot due to rounding

The New Capital authorization request for FY 2023/2024 was identified as necessary for safe and efficient rail operations. The proposed projects total approximately ~~$20.86 million~~ **$20.3 million**, of which approximately ~~$3 million~~ **$2.9 million** is SBCTA's share. A listing of the individual projects, their location and description are provided in ~~Attachment C~~ **Attachment G**. **Revised** Table 5 ~~below~~ **on the following page** shows the cash flow of New Capital projects over the next four years.

~~Table 5. New Capital Cash Flow for FY 2023/2024 through FY 2026/2027~~

Cash Basis	METRO	OCTA	RCTC	SBCTA	VCTC	OTHER	TOTAL
FY24 New Capital	$9.9M	$4.1M	$2.3M	$3.0M	$1.5M	$0.0M	$20.9M
				CASH OUTLAY			
~~2023-24~~	~~$0.5M~~	~~$0.2M~~	~~$0.1M~~	~~$0.2M~~	~~$0.1M~~	~~$0.0M~~	~~$1.0M~~
2024-25	$3.5M	$1.4M	$0.8M	$1.1M	$0.5M	$0.0M	$7.3M
2025-26	$3.0M	$1.2M	$0.7M	$0.9M	$0.5M	$0.0M	$6.3M
2026-27	$3.0M	$1.2M	$0.7M	$0.9M	$0.5M	$0.0M	$6.3M
Totals	$9.9M	$4.1M	$2.3M	$3.0M	$1.5M	$0.0M	$20.9M

(Revised below) Table 5. New Capital Cash Flow for FY 2023/2024 through FY 2026/2027

Cash Basis	METRO	OCTA	RCTC	SBCTA	VCTC	OTHER	TOTAL
FY24 New Capital	$9.6M	$4.0M	$2.2M	$2.9M	$1.5M	$0.0M	$20.3M
				CASH OUTLAY			
2023-24	$0.5M	$0.2M	$0.1M	$0.1M	$0.1M	$0.0M	$1.0M
2024-25	$3.4M	$1.4M	$0.8M	$1.0M	$0.5M	$0.0M	$7.1M
2025-26	$2.9M	$1.2M	$0.7M	$0.9M	$0.4M	$0.0M	$6.1M
2026-27	$2.9M	$1.2M	$0.7M	$0.9M	$0.4M	$0.0M	$6.1M
Totals	$9.6M	$4.0M	$2.2M	$2.9M	$1.5M	$0.0M	$20.3M

Note: Numbers may not foot due to rounding

Completion of the FY 2023/2024 Proposed SGR and New Capital Program projects are multi-year in nature. As such, the funding for the Proposed FY 2023/2024 Budget may be viewed as each having a four-year funding commitment, which would have the estimated cash flow impact over the subsequent fiscal years; however, SBCTA would be committing the full four-year funding up front with this proposed subsidy allocation.

As part of the FY 2023/2024 Preliminary Budget Request, SCRRA is requesting a Working Capital Long Term Loan in the amount of $50 million, allocated by Member Agency based on track miles owned, making SBCTA's share $5,330,000. The goal of this request is two-fold: 1) to use as a cash flow mechanism for SGR and New Capital Projects that are grant based; and 2) to serve as a cash flow reserve, as required by the SCRRA Board of Directors. Cash flow for these types of projects are challenging due to the timing of grant reimbursement, which averages 4.5 months and the risk of delaying projects without having adequate cash on hand to move projects forward. Historically, SCRRA has utilized operating funds to support such projects, which is neither standard, nor best practice. To improve business practices and remain in compliance with SCRRA Board-required cash reserves, SCRRA is requesting this Working Capital Long Term Loan as a more sustainable cash flow mechanism. While SBCTA acknowledges SCRRA's cash flow challenges and agrees with the need for a separate fund source with which to advance projects forward, staff believes this request warrants a policy-level discussion by the SCRRA Board before approval and disbursement by Member Agencies. As these funds are intended to be an ongoing request as part of the annual budget process, a policy is necessary to formally define the need as part of the formal budget process, including the handling and use, tracking and reporting requirements to Member Agencies, determine how these funds are to be replenished and/or repaid, as well as internal controls and improvements to be made by SCRRA, such as invoicing practices, to address cash flow challenges on their end. As such, staff recommends that the Working Capital Long Term Loan request be approved contingent upon the development and approval of the SCRRA Board, as well as concurrence by the Member Agencies.

Due to the existing cost sharing formulas used by SCRRA, which distributes costs amongst the Member Agencies for system-wide and San Bernardino Line expenses, the full transmittal of SBCTA's allocation for Operating, SGR and New Capital Programs, as well as Working Capital Long Term Loan is contingent upon each of the five Member Agencies approving their full financial contribution, as part of SCRRA's FY 2023/2024 Preliminary Budget Request, as well as adoption by the SCRRA Board on ~~May 27, 2022~~ **May 26, 2023**.

As part of the FY 2021/2022 SCRRA allocation, the Board approved the replacement of $495,652 of SB1 SGR-Op funds that were previously allocated as part of the FY 2018/2019 Budget with State Transit Assistance-Operator Share funds for rehabilitation projects that were delayed due to impacts of COVID-19 and to prevent the lapsing of funds. SCRRA has been able to make progress on the rehabilitation projects, removing the risk of lapsing funds. Recommendation E would reinstate the original allocation of SB1 SGR-Op funds for the FY 2018/2019 Budget.

Financial Impact:
This item has no financial impact on the Fiscal Year 2022/2023 Budget but requires a FY 2023/2024 Budget Amendment, increasing Task No. 0314, Transit Operations, by $3,892,306 in Valley Local Transportation Funds (1040) and by $2,112,502 in State Transit Assistance - Operator Share funds (1050).

Reviewed By:
This item was reviewed and unanimously recommended for approval by the Transit Committee on May 11, 2023.

Responsible Staff:
Rebekah Soto, Multimodal Mobility Programs Administrator

RESULT:	**APPROVED [UNANIMOUS]**	Approved Board of Directors Date: June 7, 2023
MOVER:	Deborah Robertson, City of Rialto	
SECONDER:	Daniel Ramos, City of Adelanto	
AYES:	Ramos, Bishop, Courtney, Ulloa, Marquez, Navarro, Rodriguez-Robles, Dutrey, Jernigan, Michael, Robertson, Tran, Klink, Zuniga, Jones, Duncan, Cook, Hagman, Baca Jr., Putz (Alt.), Bennington (Alt.), Lilburn (Alt.), Jindal (Alt.), Saucedo (Alt.)	Witnessed By:
ABSENT:	Warren, Wapner, Denison, Armendarez, Rowe	M. Roman Marleana Roman, Clerk of the Board 06/07/2023

FINAL - CURRENT

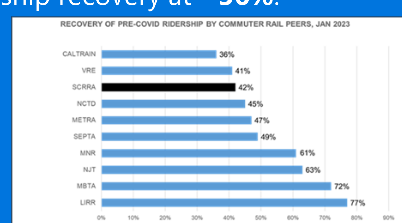
Proposed FY24 Operations & Capital Budgets

May 10, 2023

METROLINK

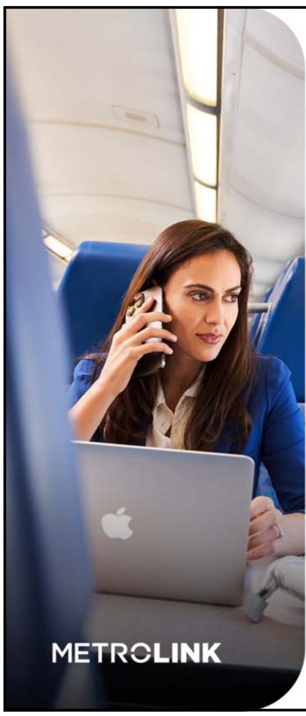
Transit Industry Ridership Woes

- BART ridership recovery at **~37%,** projects they will not reach 70% of pre-COVID ridership for 10 years.
- METRA ridership fell 97% with COVID "Stay At Home Orders". Recovered **47%** pre-COVID weekday ridership.
- SEPTA ridership recovery at **~49%**.
- MBTA ridership recovery at **~72%**.
- CALTRAIN ridership recovery at **~36%**.



Financial Challenges Ahead

- Regional / Commuter ridership continues to lag pre-COVID numbers.
  - Lower Ridership = Lower Revenue.
- Communications technology has enabled more workers to perform their daily jobs from home or other remote locations.
- Demand for peak period commuting is evolving.
- Metrolink Federal Relief funds have been exhausted in FY23.
- Majority of the Operational costs are fixed.
- Financial Challenges are placing a Burden on Member Agencies.
- Metrolink's, like other transit agencies, fiscal cliff is looming.



FY24 Budget Assumptions

Service Level:
- Current Service Level
- Full Codeshare (Pending Rail-2-Rail Agreement with LOSSAN)
- Arrow Service is a Separate Budget

Revenue: (Revenue Constraints)
- Revenue / Ridership based on Sperry Capital / KPMG Low Forecast Scenario
- No Fare Increases
- New Fare Promotions

Expenses:
- Contractor Increases only as Mandated by Agreements
- No New FTE Headcount
- 5.0% Merit Pool (No COLA)

Reporting:
- Monthly
- Formal Mid-Year Budget Review
- Arrow Service Monthly Budget & Revenue / Ridership

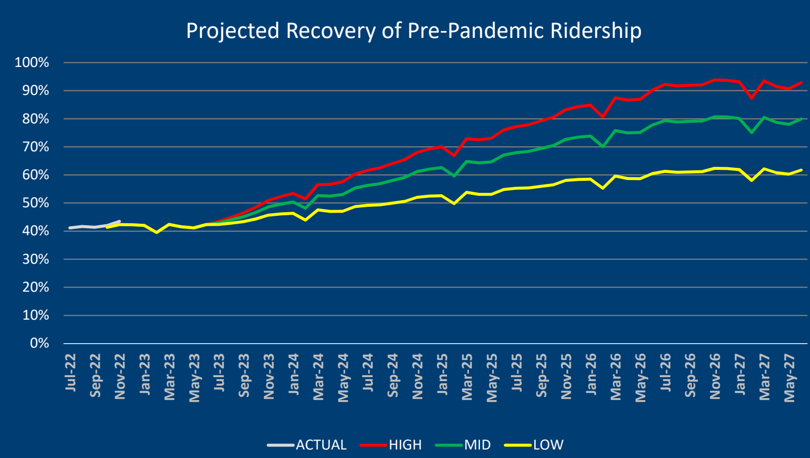
Efficiency Actions & Growing Ridership

Progress – Results Due Spring 2023

- Metrolink has retained an outside consultant to provide optimizations for train crews and equipment usage. The results are intended to accomplish the following:
  - Optimize current stations pairs and identify new potential station
  - Model and cost peak-hour, off-peak and reverse-peak trains to be used to establish a performance evaluation model/matrix to aid in optimizing ongoing services.
- Schedule Integration Study
  - Collaborating with LOSSAN to optimize distribution of trains across travel hours
- Potential Rider Study
  - Focus Group to Encourage Non-Commuters usage
- Fuel Efficiency Study / Pilot Implementation Program

Ridership Recovery Scenarios

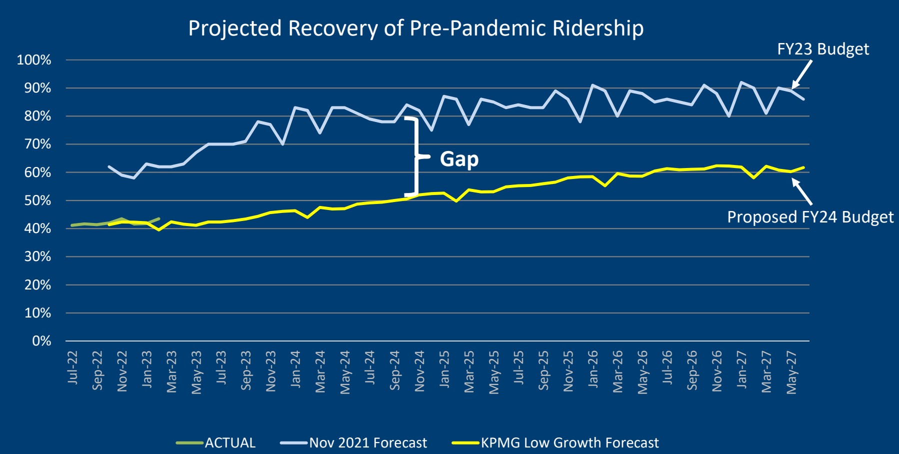
(KPMG/Sperry Dec 2022)



METROLINK

Revenue/Ridership Recovery Scenarios

(KPMG/Sperry Dec 2022)



The "Gap" ($11.5M) creates a Revenue shortfall that must be covered within the FY24 Budget.

METROLINK

Proposed FY24 Operations Budget

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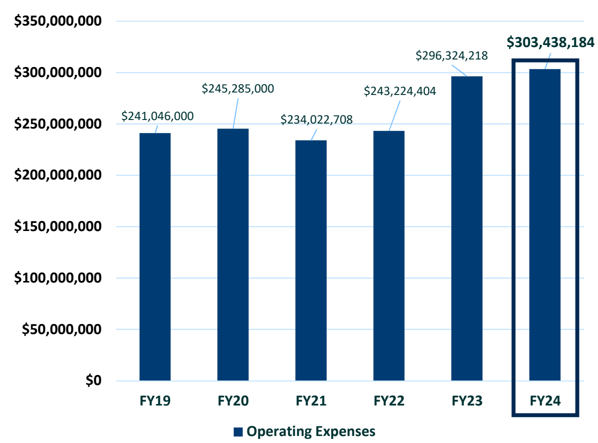
Proposed FY24 Operating Budget Overview

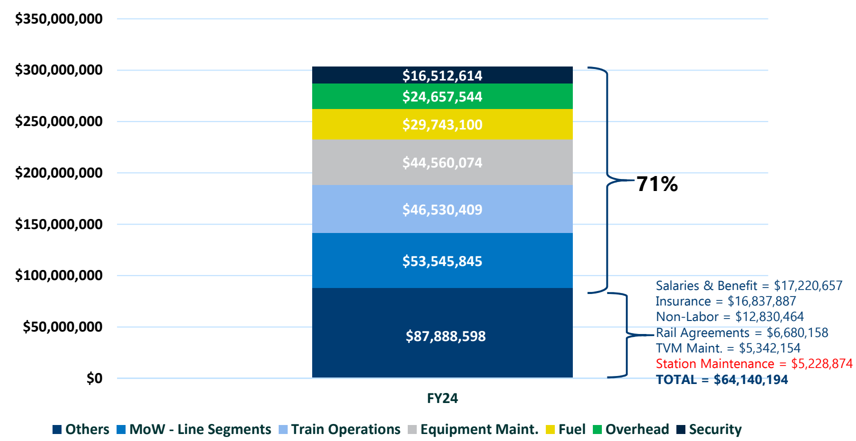
- Operating Revenue - **$52.8M**
  - Decrease from FY23 of **$13.7M** or **20.7%**
- Total Expenses - **$303.4M**
  - Increase from FY23 of **$7.1M** or **2.4%**
- Member Agency Support - **$250.7M**
  - Increase from FY23 of **$20.9M** or **9.1%**
- Working Capital - **$50.0M**
  - New request to address Cashflow Challenges

Operating Expenses FY19 – FY24



Notes:
- FY19, FY20, FY21, & FY22 Actuals
- FY23 & FY24 Budgets not Actuals

Top Drivers of $303.4M Operating Expenses - FY24



Note:
- MoW – Line Segments = Tracks & Signals and Structures
- Station Maintenance increase driven by CAM Union Station annual increase

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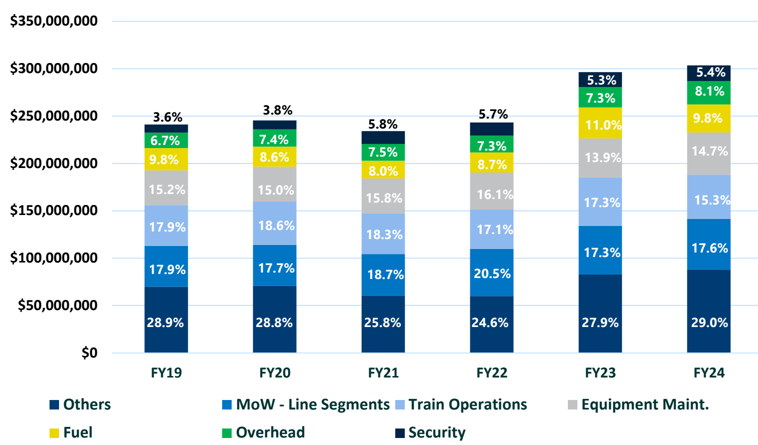
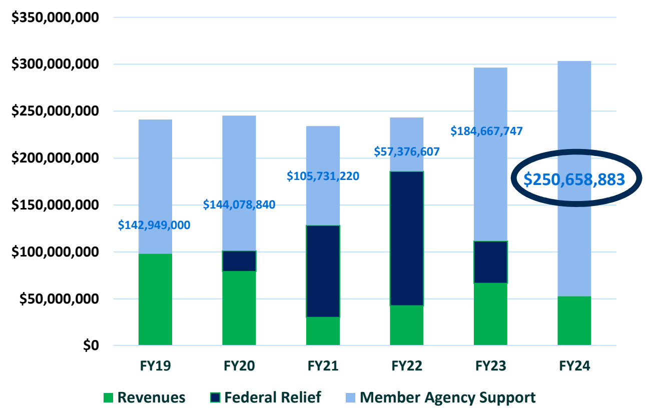
Top Drivers of Operating Expenses FY19 - FY24



Notes:
- MoW – Line Segments = Tracks & Signals and Structures
- % - Represents % of Total Operating Expense
- FY19, FY20, FY21, & FY22 Actuals
- FY23 & FY24 Budgets not Actuals

METROLINK

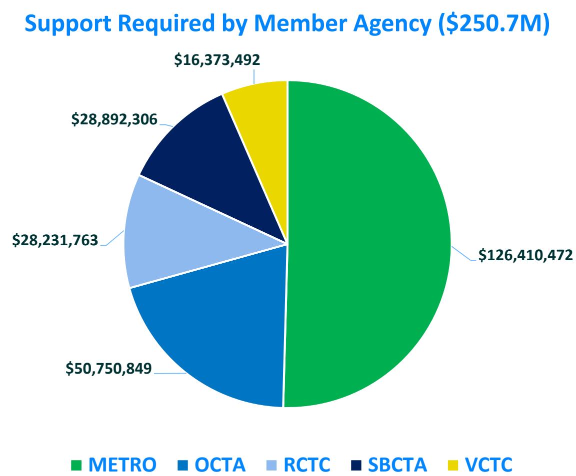
Operating Expenses Funding Sources FY19 – FY24



Notes:
- FY19, FY20, FY21, & FY22 Actuals
- FY23 & FY24 Budgets not Actuals

METROLINK

Proposed FY24 Operating Support Required by Member Agency



Notes:
- Total does **not** include "Working Capital" request

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Proposed FY24 Capital Budget

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Proposed FY24 Capital Program Overview

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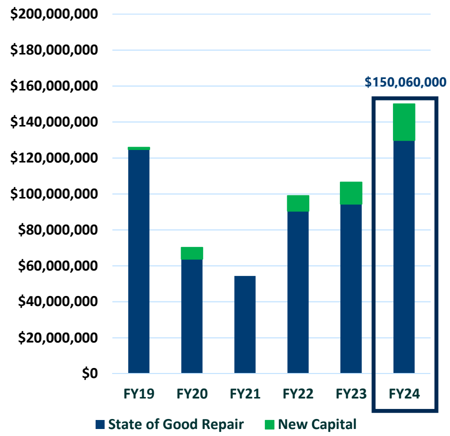
- State of Good Repair - **$129.8M**
  - Increase from FY23 of **$35.4M** or **37.4%**
- New Capital - **$20.3M**
  - Increase from FY23 of **$8.2M** or **67.4%**

Capital Programs are Critical Components of System Safety FY19 – FY24

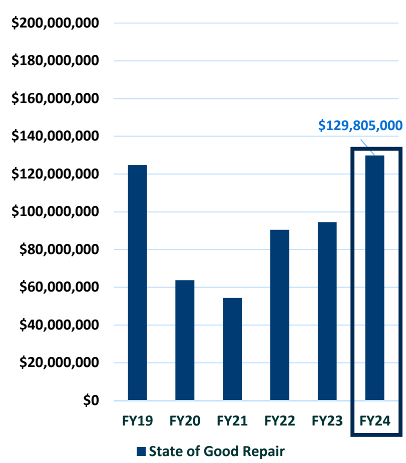


Note: FY23 data does not include New Capital Tier 4 Locomotive Purchase

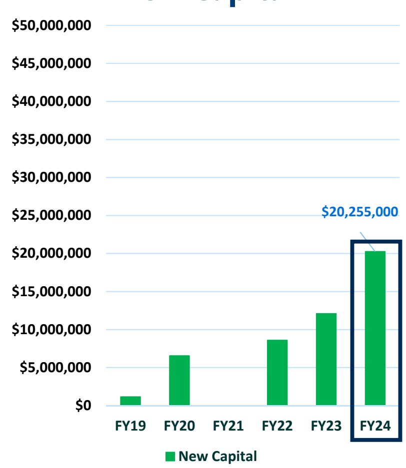
METROLINK

Proposed FY24 Capital Budget

State of Good Repair



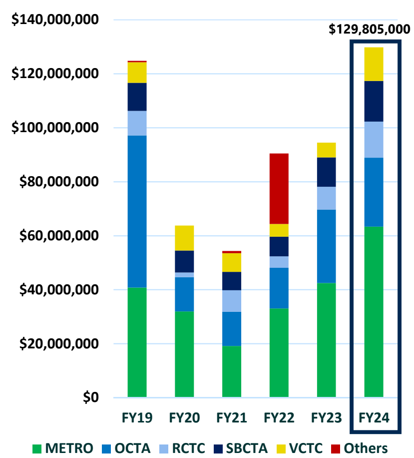
New Capital



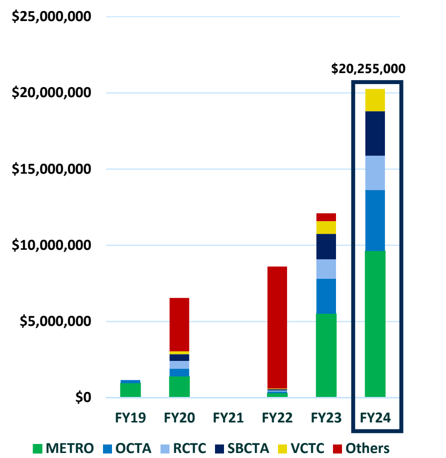
Note: FY23 data does not include New Capital Tier 4 Rolling Stock Purchase

Capital Budget Funding by Member Agency FY19 – FY24

State of Good Repair



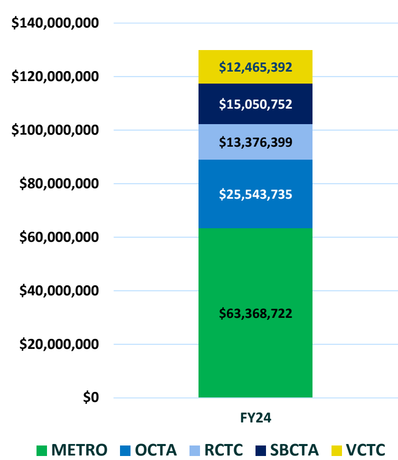
New Capital



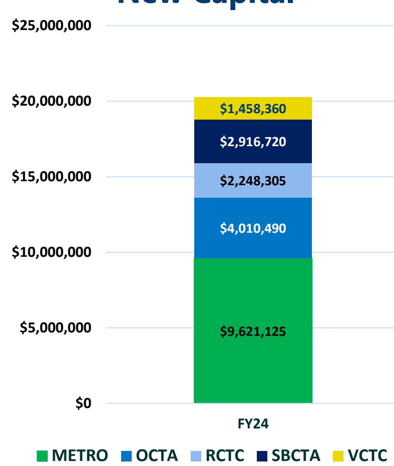
Note: FY23 data does not include New Capital Tier 4 Locomotive Purchase

FY24 Capital Budget Funding by Member Agency

State of Good Repair



New Capital



Working Capital Request

Metrolink's Cashflow Challenges

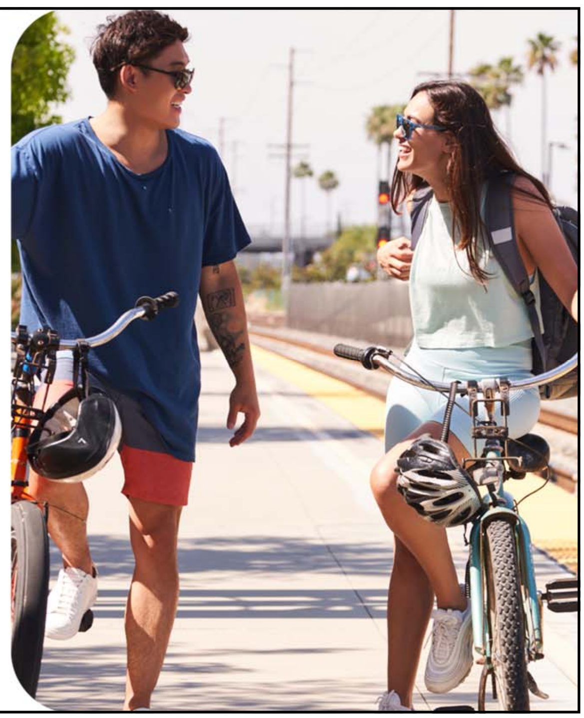
Issue:

- Agency Cashflow Pressures

Root Causals:

- Advancing Operating Funds to support State of Good Repair and New Capital projects
  - The Majority of our Grants are on a Reimbursement Basis
  - Reimbursement Process Cycle Time is ~4.5 Months
- Board requirement for maintaining $50M Operating Cash Threshold

METROLINK



Working Capital

	Total	METRO	OCTA	RCTC	SCBTA	VCTC
Working Capital	$50,000,000	$29,290,000	$7,150,000	$4,765,000	$5,330,000	$3,465,000

Member Agency Allocation
- Based on Track Miles Owned

Working Capital Tracking & Transparency:
- Board Approved "Working Capital" Policy
- "Working Capital Standard Operating Procedure
- Monthly / Quarterly Member Agency Reports
  - Detailed individual usage and reimbursement transactions
    - Overall Funds
    - By Member Agency

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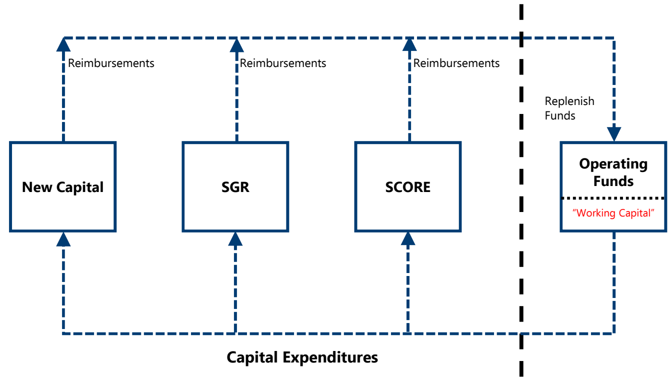
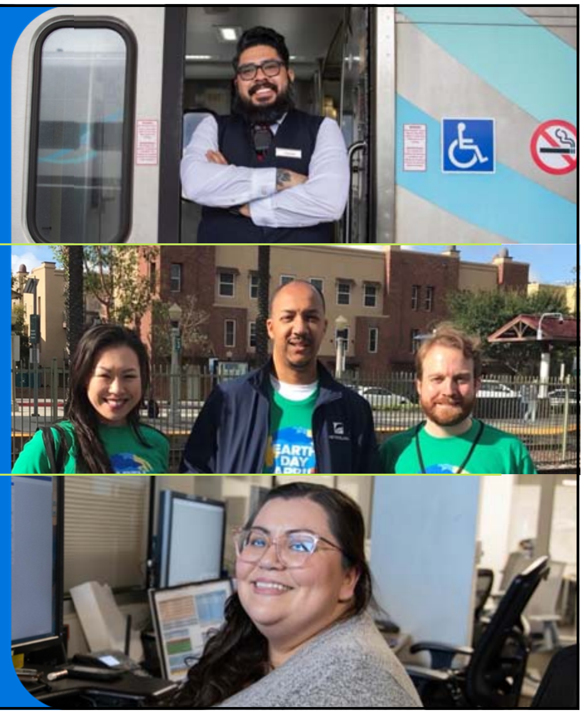
Current "Working Capital" High Level Process



Notes:
- "Current" process is Not Sustainable
- Managing with no additional Operations support
- Majority of Capital expenditures are on a reimbursement basis via grants
- $50M Cash Threshold Board Policy

METROLINK

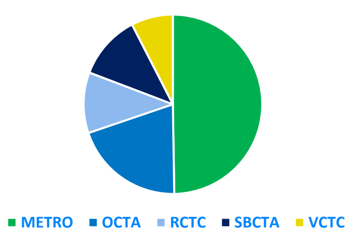
Summary



METROLINK

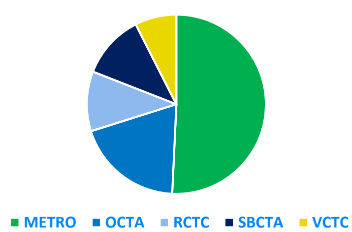
FY24 Budget Summary
Summary of Support by Member Agency

Proposed FY24 Budget Summary ($400.7M)



- Total Proposed FY24 Budget without Working Capital

Proposed FY24 Budget Summary ($450.7M)



- Total Proposed FY24 Budget with Working Capital

METROLINK

FY24 Budget Summary
Summary of Support by Member Agency

FY24 Proposed Budget (**Current**)

	TOTAL	METRO	OCTA	RCTC	SBCTA	VCTC
Total Operating Support	$ 250,658,882	$ 126,410,472	$ 50,750,849	$ 28,231,763	$ 28,892,306	$ 16,373,492
Total Capital Support	$ 150,060,000	$ 72,989,847	$ 29,554,225	$ 15,624,704	$ 17,967,472	$ 13,923,752
SUB-TOTAL =	**$ 400,718,882**	**$ 199,400,319**	**$ 80,305,074**	**$ 43,856,467**	**$ 46,859,778**	**$ 30,297,244**
Working Capital Request	$ 50,000,000	$ 29,290,000	$ 7,150,000	$ 4,765,000	$ 5,330,000	$ 3,465,000
TOTAL =	**$ 450,718,882**	**$ 228,690,319**	**$ 87,455,074**	**$ 48,621,467**	**$ 52,189,778**	**$ 33,762,244**

FY23 Amended Budget

	TOTAL	METRO	OCTA	RCTC	SBCTA	VCTC
Total Operating Support	$ 229,800,737	$ 117,951,427	$ 45,988,164	$ 25,890,809	$ 25,224,743	$ 14,745,594
Total Capital Support	$ 106,545,000	$ 47,958,000	$ 29,531,440	$ 9,688,080	$ 12,568,320	$ 6,284,160
Working Capital Request	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL =	**$ 336,345,737**	**$ 165,909,427**	**$ 75,519,604**	**$ 35,578,889**	**$ 37,793,063**	**$ 21,029,754**

Variance

	TOTAL	METRO	OCTA	RCTC	SBCTA	VCTC
Total w/o Working Capital	**$ 64,373,145**	**$ 33,490,892**	**$ 4,785,470**	**$ 8,277,578**	**$ 9,066,715**	**$ 9,267,490**
variance	19.1%	20.2%	6.3%	23.3%	24.0%	44.1%
Total w/ Working Capital	**$ 114,373,145**	**$ 62,780,892**	**$ 11,935,470**	**$ 13,042,578**	**$ 14,396,715**	**$ 12,732,490**
variance	34.0%	37.8%	15.8%	36.7%	38.1%	60.5%

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Back Up

METROLINK

FY24 Operating Budget
Summary of Support by Member Agency

FY24 Proposed Budget (**CURRENT**)

	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
Total Operating Revenues	28,214,617	12,138,405	4,116,866	6,855,364	1,454,046	52,779,298
Total Expenses	154,625,089	62,889,254	32,348,629	35,747,670	17,827,538	303,438,180
FY24 Member Agency Support (Loss)	**(126,410,472)**	**(50,750,849)**	**(28,231,763)**	**(28,892,306)**	**(16,373,492)**	**(250,658,882)**

FY23 Amended Budget

	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
Total Operating Revenues	33,640,404	16,195,954	5,872,140	9,013,543	1,801,441	66,523,481
Total Expenses	151,591,831	62,184,118	31,762,948	34,238,286	16,547,034	296,324,218
FY23 Member Agency Support (Loss)	**(117,951,427)**	**(45,988,164)**	**(25,890,809)**	**(25,224,743)**	**(14,745,594)**	**(229,800,737)**

Year-Over-Year Variance

	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
Operating Revenues	(5,425,787)	(4,057,549)	(1,755,274)	(2,158,179)	(347,395)	(13,744,183)
variance	-16.1%	-25.1%	-29.9%	-23.9%	-19.3%	-20.7%
Expenses	3,033,258	705,136	585,681	1,509,384	1,280,504	7,113,962
variance	2.0%	1.1%	1.8%	4.4%	7.7%	2.4%
Member Agency Support (increase) / decrease	**(8,459,045)**	**(4,762,685)**	**(2,340,954)**	**(3,667,563)**	**(1,627,898)**	**(20,858,145)**
variance	-7.2%	-10.4%	-9.0%	-14.5%	-11.0%	-9.1%

METROLINK

FY24 Operating Budget
Summary of Member Agency Support by Line

FY24 Proposed Budget (**CURRENT**)

	San Bernardino	Ventura County	Antelope Valley	Riverside	Orange County	IEOC	91/PVL	TOTAL
Total Operating Revenues	15,677,747	4,018,862	10,285,337	2,798,005	10,627,540	4,926,708	4,445,098	52,779,297
Total Expenses	69,833,421	38,871,891	60,245,890	24,071,887	44,645,408	35,314,956	30,454,727	303,438,180
FY24 Member Agency Support (Loss)	**(54,155,674)**	**(34,853,029)**	**(49,960,553)**	**(21,273,882)**	**(34,017,868)**	**(30,388,248)**	**(26,009,629)**	**(250,658,883)**

FY23 Amended Budget

	San Bernardino	Ventura County	Antelope Valley	Riverside	Orange County	IEOC	91/PVL	TOTAL
Total Operating Revenues	19,508,547	4,934,705	12,286,922	3,201,774	12,728,840	7,919,490	5,943,203	66,523,481
Total Expenses	66,439,127	37,378,986	59,156,166	23,717,633	44,676,744	35,279,114	29,676,450	296,324,218
FY23 Member Agency Support (Loss)	**(46,930,580)**	**(32,444,281)**	**(46,869,244)**	**(20,515,859)**	**(31,947,904)**	**(27,359,623)**	**(23,733,247)**	**(229,800,737)**

Year-Over-Year Variance

	San Bernardino	Ventura County	Antelope Valley	Riverside	Orange County	IEOC	91/PVL	TOTAL
Operating Revenues	(3,830,800)	(915,843)	(2,001,585)	(403,769)	(2,101,300)	(2,992,782)	(1,498,105)	(13,744,184)
variance	-19.6%	-18.6%	-16.3%	-12.6%	-16.5%	-37.8%	-25.2%	-20.7%
Expenses	3,394,294	1,492,905	1,089,724	354,254	(31,336)	35,842	778,277	7,113,962
variance	5.1%	4.0%	1.8%	1.5%	-0.1%	0.1%	2.6%	2.4%
Member Agency Support (increase) / decrease	**(7,225,094)**	**(2,408,748)**	**(3,091,309)**	**(758,023)**	**(2,069,964)**	**(3,028,625)**	**(2,276,382)**	**(20,858,146)**
variance	-15.4%	-7.4%	-6.6%	-3.7%	-6.5%	-11.1%	-9.6%	-9.1%

METROLINK

Attachment: SBCTA-SCRRA MOU No. 24-1003060 Annual Funding Allocations_Exhibit A (9982 : MOU No. 24-1003060 with SCRRA to

FY24 Budgeted Operating Statement - Revenues

($000s)	FY 22-23 Amended Budget	FY 23-24 Proposed Budget	Variance FY23 Amended vs FY24 Proposed $ Variance	% Variance
Operating Revenue				
Farebox Revenue	47,084,730	34,138,404	(12,946,326)	-27.50%
Fare Reduction Subsidy	1,510,705	490,404	(1,020,301)	-67.54%
Other Train Subsidies	2,500,000	2,565,421	65,421	2.62%
Special Trains	-	-	-	n/a
Subtotal-Pro Forma FareBox	**51,095,435**	**37,194,229**	**(13,901,206)**	**-27.21%**
Dispatching	2,776,805	1,962,580	(814,225)	-29.32%
Other Revenues	772,500	690,953	(81,547)	-10.56%
MOW Revenues	11,878,741	12,931,538	1,052,797	8.86%
Total Operating Revenue	**66,523,481**	**52,779,301**	**(13,744,181)**	**-20.66%**

METROLINK

FY24 Budgeted Operating Statement - Expenses

($000s)	FY 22-23 Amended Budget	FY 23-24 Proposed Budget	Variance FY23 Amended vs FY24 Proposed $ Variance	% Variance
Operating Expenses				
Operations & Services				
Train Operations	51,345,147	46,530,409	(4,814,738)	-9.38%
Equipment Maintenance	41,054,295	44,560,074	3,505,779	8.54%
Fuel	32,716,044	29,743,100	(2,972,944)	-9.09%
Non-Scheduled Rolling Stock Repairs	100,000	100,000	-	0.00%
Operating Facilities Maintenance	2,217,676	2,243,863	26,187	1.18%
Other Operating Train Services	933,852	941,852	8,000	0.86%
Rolling Stock Lease	-	-	-	n/a
Security	15,738,496	16,512,614	774,118	4.92%
Public Safety Program	103,344	103,344	-	0.00%
Passenger Relations	1,910,862	2,021,136	110,274	5.77%
TVM Maintenance/Revenue Collection	5,365,246	5,342,154	(23,092)	-0.43%
Marketing	3,097,410	3,238,155	140,745	4.54%
Media & External Communications	372,350	322,450	(49,900)	-13.40%
Utilities/Leases	3,913,942	3,087,613	(826,329)	-21.11%
Transfers to Other Operators	3,276,436	3,269,346	(7,090)	-0.22%
Amtrak Transfers	823,581	1,185,452	361,871	43.94%
Station Maintenance	2,184,748	5,228,874	3,044,126	139.34%
Rail Agreements	5,305,024	6,680,158	1,375,134	25.92%
Holiday Trains	-	-	-	n/a
Special Trains	500,000	500,000	-	0.00%
Subtotal Operations & Services	**170,958,453**	**171,610,595**	**652,141**	**0.38%**

METROLINK

FY24 Budgeted Operating Statement - Expenses

($000s)	FY 22-23 Amended Budget	FY 23-24 Proposed Budget		Variance FY23 Amended vs FY24 Proposed $ Variance	% Variance
Maintenance-of-Way					
MoW - Line Segments	51,167,433	53,545,845		2,378,412	4.65%
MoW - Extraordinary Maintenance	1,047,556	794,287		(253,269)	-24.18%
Subtotal Maintenance-of-Way	**52,214,989**	**54,340,132**		**2,125,143**	**4.07%**
Administration & Services					
Ops Salaries & Benefits	17,903,267	17,220,657		(682,610)	-3.81%
Ops Non-Labor Expenses	11,982,560	12,830,464		847,904	7.08%
Indirect Administrative Expenses	21,545,786	24,657,544		3,111,758	14.44%
Ops Professional Services	2,685,297	2,717,389		32,092	1.20%
Subtotal Admin & Services	**54,116,910**	**57,426,054**		**3,309,144**	**6.11%**
Contingency	**90,000**	**87,500**		**(2,500)**	**-2.78%**
Total Operating Expenses	**277,380,352**	**283,464,281**		**6,083,929**	**2.19%**
Insurance and Legal					
Liability/Property/Auto	16,087,842	16,837,887		750,045	4.66%
Net Claims / SI	1,000,000	990,000		(10,000)	-1.00%
Claims Administration	1,856,024	2,146,016		289,992	15.62%
Subtotal Insurance and Legal	**18,943,866**	**19,973,903**		**1,030,037**	**5.44%**
Total Expense	**296,324,218**	**303,438,184**		**7,113,966**	**2.40%**
Loss / Member Support Required	**(229,800,737)**	**(250,658,883)**		**(20,858,146)**	**9.08%**

METROLINK

FY24 Capital Program – State of Good Repair

State of Good Repair – by Member Agency

TOTAL REQUEST	METRO	OCTA	RCTC	SBCTA	VCTC	OTHER
$129,805,000	$63,368,722	$25,543,735	$13,376,399	$15,050,752	$12,465,392	$0

State of Good Repair – by Line

TOTAL REQUEST	Systemwide	San Bernardino Line	Ventura County Line	Antelope Valley Line	Riverside	Orange County	IEOC	91/ PVL
$129,805,000	$72,936,000	$11,526,000	$12,067,000	$16,978,000	$0	$11,048,000	$0	$5,250,000

State of Good Repair – Cash Flows

Cash Basis	METRO	OCTA	RCTC	SBCTA	VCTC	OTHER	TOTAL
FY24 State of Good Repair	**$63.4M**	**$25.5M**	**$13.4M**	**$15.1M**	**$12.5M**	**$0.0M**	**$129.8M**
				CASH OUTLAY			
2023-24	**$3.2M**	**$1.3M**	**$0.7M**	**$0.8M**	**$0.6M**	**$0.0M**	**$6.5M**
2024-25	**$22.2M**	**$8.9M**	**$4.7M**	**$5.3M**	**$4.4M**	**$0.0M**	**$45.4M**
2025-26	**$19.0M**	**$7.7M**	**$4.0M**	**$4.5M**	**$3.7M**	**$0.0M**	**$38.9M**
2026-27	**$19.0M**	**$7.7M**	**$4.0M**	**$4.5M**	**$3.7M**	**$0.0M**	**$38.9M**
Totals	**$63.4M**	**$25.5M**	**$13.4M**	**$15.1M**	**$12.5M**	**$0.0M**	**$129.8M**

Note: Numbers may not foot due to rounding

METROLINK

Attachment: SBCTA-SCRRA MOU No. 24-1003060 Annual Funding Allocations_Exhibit A (9982 : MOU No. 24-1003060 with SCRRA to

FY24 SGR Proposed Projects Summary

PROJECT #	ROUTE	SUBDIVISION	ASSET TYPE	PROJECT	PROJECT COST	FUNDINGS METRO	OCTA	RCTC	SBCTA	VCTC	OTHER
2616	ALL	All	Non-Revenue Fleet	Electric Vehicles (EV) to replace current vehicles that have reached end of useful life	$250,000	$118,750	$49,500	$27,750	$36,000	$18,000	$0
2618	San Bernardino LIne	San Gabriel	Track	SAN GABRIEL SUBDIVISION TRACK REHABILITATION	$5,700,000	$3,420,000	$0	$0	$2,280,000	$0	$0
2619	Ventura County Line	Ventura - LA County	Track	VENTURA (LA) SUBDIVISION TRACK REHABILITATION	$3,176,000	$3,176,000	$0	$0	$0	$0	$0
2621	San Bernardino LIne	SB Shortway	Track	SHORT WAY SUBDIVISION TRACK REHABILITATION	$255,000	$130,522	$54,407	$30,503	$39,568	$0	$0
2622	Perris Valley Line	San Jacinto (PVL)	Structures	PERRIS VALLEY SUBDIVISION REHABILITATION - CONSTRUCTION PHASE SERVICES - DEFERRED FROM FY23 BUDGET PROCESS	$5,250,000	$0	$0	$5,250,000	$0	$0	$0
2623	Antelope Valley Line	Valley	Structures	VALLEY SUBDIVISION STRUCTURES REHABILITATION	$3,503,000	$3,503,000	$0	$0	$0	$0	$0
2624	San Bernardino LIne	San Gabriel	Structures	SAN GABRIEL SUBDIVISION STRUCTURES REHABILITATION	$1,296,000	$777,600	$0	$0	$518,400	$0	$0
2625	Ventura County Line	Ventura - LA County	Structures	VENTURA (LA) SUBDIVISION STRUCTURES REHABILITATION	$200,000	$200,000	$0	$0	$0	$0	$0
2628	San Bernardino LIne	San Gabriel	Train Control	SAN GABRIEL SUBDIVISION TRAIN CONTROL SYSTEMS REHABILITATION	$4,275,000	$2,565,000	$0	$0	$1,710,000	$0	$0
2629	Ventura County Line	Ventura - LA County	Train Control	VENTURA (LA) SUBDIVISION TRAIN CONTROL SYSTEMS REHABILITATION	$1,477,000	$1,477,000	$0	$0	$0	$0	$0
2656	Orange County Line	Orange	Track	ORANGE SUBDIVISION TRACK REHABILITATION	$6,301,000	$0	$6,301,000	$0	$0	$0	$0
2657	Orange County Line	Orange	Structures	ORANGE SUBDIVISION STRUCTURES REHABILITATION	$2,114,000	$0	$2,114,000	$0	$0	$0	$0
2658	Orange County Line	Orange	Train Control	ORANGE SUBDIVISION TRAIN CONTROL SYSTEMS REHABILITATION	$2,633,000	$0	$2,633,000	$0	$0	$0	$0
2659	ALL	All	Track	SYSTEMWIDE TRACK REHABILITATION	$5,000,000	$2,375,000	$990,000	$555,000	$720,000	$360,000	$0
2660	ALL	All	Train Control	SYSTEMWIDE TRAIN CONTROL SYSTEMS REHABILITATION	$5,000,000	$2,375,000	$990,000	$555,000	$720,000	$360,000	$0
2661	ALL	All	Non-Revenue Fleet	VEHICLES AND MAINTENANCE-OF-WAY (MOW) EQUIPMENT - REPLACEMENT & OVERHAUL	$2,820,000	$1,339,500	$558,360	$313,020	$406,080	$203,040	$0
2663	ALL	All	Rolling Stock	Rotem HVAC Overhaul/Rebuild	$3,650,000	$1,733,750	$722,700	$405,150	$525,600	$262,800	$0
2664	ALL	All	Rolling Stock	BOMBARDIER RAILCAR REBUILD	$35,000,000	$16,625,000	$6,930,000	$3,885,000	$5,040,000	$2,520,000	$0
2667	Antelope Valley Line	Valley	Track	VALLEY SUBDIVISION TRACK REHABILITATION	$8,595,000	$8,595,000	$0	$0	$0	$0	$0
2668	Ventura County Line	Ventura - VC County	Track	VENTURA (VC) SUBDIVISION TRACK REHABILITATION	$1,866,000	$0	$0	$0	$0	$1,866,000	$0
2669	Ventura County Line	Ventura - VC County	Structures	VENTURA (VC) SUBDIVISION STRUCTURES REHABILITATION	$856,000	$0	$0	$0	$0	$856,000	$0
2670	Ventura County Line	Ventura - VC County	Train Control	VENTURA (VC) SUBDIVISION TRAIN CONTROL SYSTEMS REHABILITATION	$992,000	$0	$0	$0	$0	$992,000	$0
2671	Antelope Valley Line	Valley	Train Control	VALLEY SUBDIVISION TRAIN CONTROL SYSTEMS REHABILITATION	$4,880,000	$4,880,000	$0	$0	$0	$0	$0
2676	ALL	River	Track	RIVER SUBDIVISION TRACK REHABILITATION	$2,000,000	$950,000	$396,000	$222,000	$288,000	$144,000	$0
2677	ALL	River	Train Control	RIVER SUBDIVISION TRAIN CONTROL SYSTEMS REHABILITATION	$2,100,000	$997,500	$415,800	$233,100	$302,400	$151,200	$0
2682	ALL	All	Facilities	CMF Facility Switch Gear and Fire Alarm panel	$1,300,000	$617,500	$257,400	$144,300	$187,200	$93,600	$0
2685	ALL	All	Facilities	MOC Restroom Renovation	$900,000	$427,500	$178,200	$99,900	$129,600	$64,800	$0
2692	ALL	All	Facilities	LAUS main water line replacement	$250,000	$118,750	$49,500	$27,750	$36,000	$18,000	$0
2693	ALL	All	Facilities	Storm Water Oil Separator replacement	$1,000,000	$475,000	$198,000	$111,000	$144,000	$72,000	$0
2702	ALL	All	Information Technology	Rehab of Firewalls at 2 Locations	$256,000	$121,600	$50,688	$28,416	$36,864	$18,432	$0
2742	ALL	All	Rolling Stock	F125 Loco "Intermediate" Engine Overhaul	$6,435,000	$3,056,625	$1,274,130	$714,285	$926,640	$463,320	$0
2743	ALL	All	Rolling Stock	LDVR & Camera Replacement	$1,700,000	$807,500	$336,600	$188,700	$244,800	$122,400	$0
2744	ALL	All	Rolling Stock	MP36 Loco Overhaul	$3,600,000	$1,710,000	$712,800	$399,600	$518,400	$259,200	$0
2802	ALL	All	Right of Way	Metrolink CAM Expenses for Fiscal 2024	$1,675,000	$795,625	$331,650	$185,925	$241,200	$120,600	$0
2803	Ventura County	Ventura - VC	Train Control	Spring Road Signal Improvement	$950,000	$0	$0	$0	$0	$950,000	$0
2804	Ventura County	Ventura - VC	Structures	Arroyo Simi Bridges	$1,000,000	$0	$0	$0	$0	$1,000,000	$0
2805	Ventura County	Ventura - VC	Train Control	VCTC Signal Rehab	$1,550,000	$0	$0	$0	$0	$1,550,000	$0
					$129,805,000	**$63,368,722**	**$25,543,735**	**$13,376,399**	**$15,050,752**	**$12,465,392**	**$0**

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FY24 Capital Program – New Capital

New Capital – by Member Agency

TOTAL REQUEST	METRO	OCTA	RCTC	SBCTA	VCTC	OTHER
$20,255,000	$9,621,125	$4,010,490	$2,248,305	$2,916,720	$1,458,360	$0

New Capital – by Line

TOTAL REQUEST	Systemwide	San Bernardino	Ventura County	Antelope Valley	Riverside	Orange County	IEOC	91 /PVL
$20,255,000	$20,255,000	$0	$0	$0	$0	$0	$0	$0

New Capital – Cash Flows

Cash Basis	METRO	OCTA	RCTC	SBCTA	VCTC	OTHER	TOTAL
FY24 New Capital	$9.6M	$4.0M	$2.2M	$2.9M	$1.5M	$0.0M	$20.3M
	CASH OUTLAY						
2023-24	$0.5M	$0.2M	$0.1M	$0.1M	$0.1M	$0.0M	$1.0M
2024-25	$3.4M	$1.4M	$0.8M	$1.0M	$0.5M	$0.0M	$7.1M
2025-26	$2.9M	$1.2M	$0.7M	$0.9M	$0.4M	$0.0M	$6.1M
2026-27	$2.9M	$1.2M	$0.7M	$0.9M	$0.4M	$0.0M	$6.1M
Totals	$9.6M	$4.0M	$2.2M	$2.9M	$1.5M	$0.0M	$20.3M

Note: Numbers may not foot due to rounding

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5/18/2023

FY24 New Capital Proposed Projects Summary

								FUNDINGS					
ROW#	PROJECT #	TYPE	ROUTE	SUBDIVISION	ASSET TYPE	PROJECT	PROJECT COST	METRO	OCTA	RCTC	SBCTA	VCTC	OTHER
1	2599	Capital	ALL	All	Rolling Stock	SMART MAINTENANCE - PHASE II	$1,500,000	$712,500	$297,000	$166,500	$216,000	$108,000	$0
2	2665	Capital	ALL	All	Rolling Stock	New Tier4 Locomotive Procurement	$4,900,000	$2,327,500	$970,200	$543,900	$705,600	$352,800	$0
3	2694	Capital	ALL	All	Rolling Stock	Communication System Overhaul Phase I	$550,000	$261,250	$108,900	$61,050	$79,200	$39,600	$0
4	2695	Capital	ALL	All	Rolling Stock	Passenger Car Luggage Rack	$1,500,000	$712,500	$297,000	$166,500	$216,000	$108,000	$0
5	2696	Capital	ALL	All	Rolling Stock	Passenger Cabin CCTV	$3,256,000	$1,546,600	$644,688	$361,416	$468,864	$234,432	$0
6	2722	Capital	ALL	All	Non-Revenue Fleet	SPECIALIZED MAINTENANCE EQUIPMENT, PHASE 2	$5,585,000	$2,652,875	$1,105,830	$619,935	$804,240	$402,120	$0
14	2746	Capital	ALL	All	Facilities	EV Infrastructure	$1,500,000	$712,500	$297,000	$166,500	$216,000	$108,000	$0
15	2762	Capital	ALL	All	Business Systems	PMIS IT project support	$1,000,000	$475,000	$198,000	$111,000	$144,000	$72,000	$0
16	2782	Capital	ALL	All	Business Systems	Document Management System (DMS)	$464,000	$220,400	$91,872	$51,504	$66,816	$33,408	$0
							$20,255,000	**$9,621,125**	**$4,010,490**	**$2,248,305**	**$2,916,720**	**$1,458,360**	**$0**

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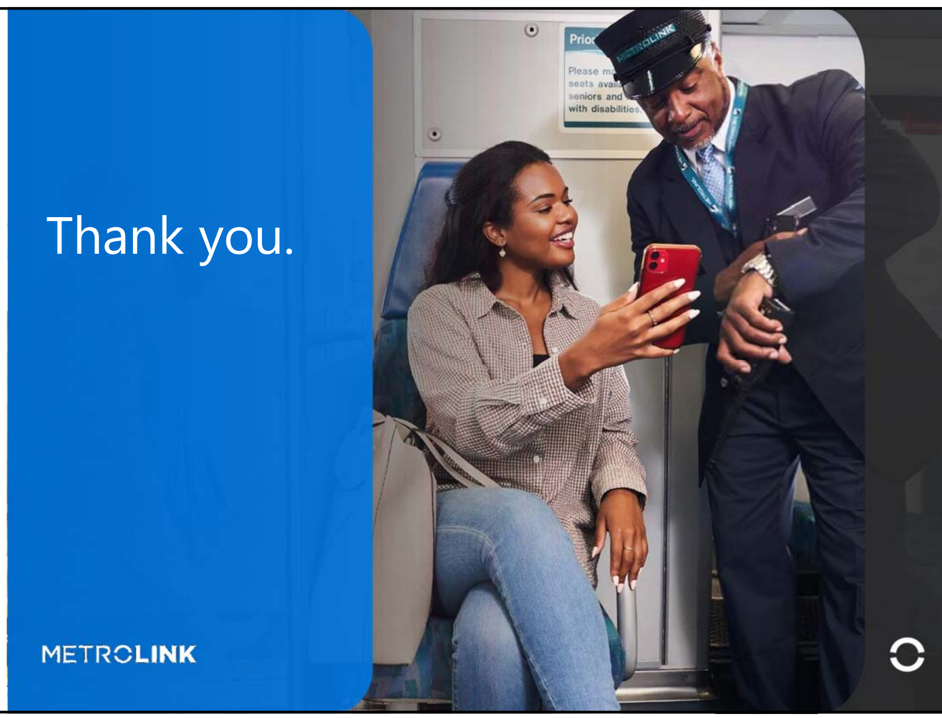

Minute Action

AGENDA ITEM: 16

Date: October 4, 2023

Subject:
Southern California Regional Rail Authority Increase in Preliminary Budget Request for Fiscal Year 2023/2024 for Metrolink Operations

Recommendation:
That the Board, acting as the San Bernardino County Transportation Authority (SBCTA):

A. Approve an increase in the Southern California Regional Rail Authority (SCRRA) Preliminary Budget Request for Fiscal Year (FY) 2023/2024 Metrolink Operations in the amount of $402,458, for a total operating assistance allocation of $29,157,187, to be off-set by $137,577 deduction in SBCTA's share of overall operating costs due to added service on the Antelope Valley Line, for a total net increase of $264,881 to be paid using available surplus funds carried over from FY 2022/2023, upon completion of SCRRA's year-end financial audit.

B. Approve the use of up to $264,881 in Valley Local Transportation Funds (LTF) to fund the increase in operations as an alternative funding source to fulfill SBCTA's share in the event the amount of available surplus funds is not adequate, as determined by SCRRA's year-end audit.

Background:
On June 7, 2023, the San Bernardino County Transportation Authority (SBCTA) Board of Directors (Board) approved the Southern California Regional Rail Authority (SCRRA) Preliminary Budget Request for the Fiscal Year (FY) 2023/2024 Budget for Metrolink service.

In June 2022, SCRRA reached an agreement settling the February 2015 Oxnard incident in the amount of approximately $16 million. This settlement was reached as a result of several Closed Session discussions with the SCRRA Board of Directors. Subsequent to SBCTA's approval of SCRRA's FY 2023/2024 budget request, SCRRA notified member agencies that $3.5 million of the settlement amount is associated with the Self Insurance Reserve (SIR) and is to be split among all five member agencies using train miles in accordance with existing all-share formulas. Based on this allocation methodology, SBCTA's share is $402,458.

SCRRA's demand for payment was on the SBCTA Board of Directors closed session agenda in September 2023. Following that closed session, SBCTA staff waited to request approval of the settlement amount and payment process pending review by the SCRRA Board of Directors. It was discussed at the SCRRA Administrative and Finance Committee (AFCOM) on September 8, 2023. SCRRA staff is going to review adding a future budget line item to address the potential need for payment of the self-insured retention associated with their insurance program to avoid this situation in the future. They are also going to look at securing insurance that does not have a self-insured retention, however the likelihood of that being an available option is low.

Additionally, SCRRA is implementing additional weekday and weekend service on the Antelope Valley Line (AVL) this fiscal year, resulting in a decrease in SBCTA's share of Metrolink operating costs by $137,577. This decrease in operating costs can offset SBCTA's share of the

Oxnard settlement amount, for a total net increase in SBCTA's operating costs for FY 2023/2024 of $264,881. At this time, SCRRA staff anticipates that surplus funds from the FY 2022/2023 budget will be available to cover the member agency's share of the Oxnard settlement. However, the use of surplus funds requires the concurrence of member agencies; the final surplus amounts will be determined once SCRRA completes their year-end financial audit.

As a result, staff is recommending the Board approve an increase in the Preliminary Budget Request for the FY 2023/2024 Metrolink operations in the amount of $264,881, for a total operating assistance allocation in the amount of $29,157,187. Said increase shall be offset by a $137,577 deduction in SBCTA's share of overall operating costs due to added service on the AVL, for a total net increase of $264,881, which it is anticipated will be paid for using available surplus funds carried over from FY 2022/2023, pending completion of SCRRA's year-end financial audit to cover insurance and legal expenses related to the Oxnard settlement. In the event SCRRA's year-end audit indicates FY 2022/2023 surplus funds are insufficient to cover the cost of the increase of operations, staff is recommending the use of up to $264,881 of Valley Local Transportation Funds (LTF) as an alternative funding source to fulfill SBCTA's share.

Financial Impact:
This item is consistent with the Fiscal Year 2023/2024 Budget.

Reviewed By:
This item has not received prior policy committee or technical advisory committee review. SBCTA General Counsel has reviewed this item.

Responsible Staff:
Victor Lopez, Director of Transit & Rail Programs

Approved
Board of Directors
Date: October 4, 2023

Witnessed By:

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Amendments to FY24 Budget

Audit and Finance Committee

September 8, 2023

Antelope Valley Line Service

Added weekday and weekend service on AV line, starting October 2023

Proposed Schedule Additions to AVL
Expenses and Revenues Prorated for the Period of Oct 23, 2023 to June 30, 2024

FY24 Adopted Budget						
	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
Total Revenue	28,214,617	12,138,405	4,116,867	6,855,365	1,454,046	52,779,301
Total Expense	154,625,090	62,889,254	32,348,630	35,747,671	17,827,539	303,438,184
Loss	(126,410,472)	(50,750,849)	(28,231,763)	(28,892,306)	(16,373,492)	(250,658,883)
Proposed Schedule Additions to AVL						
	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
Total Revenue	1,268,604	0	0	0	0	1,268,604
Total Expense	2,951,446	(193,459)	(90,608)	(137,577)	(47,209)	2,482,593
Change in Member Support increase / (decrease)	**1,682,842**	**(193,459)**	**(90,608)**	**(137,577)**	**(47,209)**	**1,213,989**
FY24 Budget as Amended						
	METRO	OCTA	RCTC	SBCTA	VCTC	TOTAL
Total Revenue	29,483,221	12,138,405	4,116,867	6,855,365	1,454,046	54,047,905
Total Expense	157,576,536	62,695,795	32,258,021	35,610,094	17,780,329	305,920,777
Loss	(128,093,315)	(50,557,390)	(28,141,155)	(28,754,730)	(16,326,283)	(251,872,872)

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San Clemente #1 and #2

San Clemente #1 (Cyprus Shores)

Approval of this amendment will increase the Extraordinary Item "San Clemente #1" in FY24 below the operating line by $1,588,252.80.

This cost is borne in its entirety by OCTA, whose Board has previously approved the amount.

San Clemente #2 (Casa Romantica)

Approval of the amendment will increase the Extraordinary Item "San Clemente #2" in FY24 below the operating line by $4,888,109.39.

The estimated cost for this effort is $6,000,000. This cost is borne by OCTA for $3,000,000 - whose Board has previously approved the amount - with an additional $3,000,000 to be provided by the State of California, Department of Transportation.

Allocation of Estimated $3.5M Oxnard Settlement

Allocation Method for Legal Expenses is Train Miles Lagged

Taking a Five-year average of Member Agency percentages:

	METRO	OCTA	RCTC	SBCTA	VCTC	
Average over 5 years	52.81%	23.89%	8.42%	11.50%	3.38%	
Allocation of $3.5M	$1,848,297	$836,103	$294,674	$402,458	$118,468	3,500,000.00

Invoices will be sent to Member Agencies in August.

Amendment will be taken to the Board in September.

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Recommendation

It is recommended that the Committee recommend that the Board adopt these amendments to become part of the FY24 Adopted Budget:

- Addition of Revenue Service to the Antelope Valley Line;
- Continuing expenses for Emergency Railroad Track Stabilization Project at San Clemente Track Mile Post 206.8 "San Clemente #1";
- Continuing expenses for Support Wall Project at Track Mile Post 204.6 "San Clemente #2";
- Oxnard Settlement

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Thank you.

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Allocation of $3.5M Settlement

EXHIBIT A-FISCAL YEAR 2023/2024 BUDGET

		METRO	OCTA	RCTC	SBCTA	VCTC		
Average over 5 years		52.81%	23.89%	8.42%	11.50%	3.38%		
Allocation of $3.5M		$ 1,848,297	$ 836,103	$ 294,674	$ 402,458	$ 118,468		3,500,000.00

Allocation Methodology:

- For Legal Expenses is Train Miles Lagged
- Used a Five-year average of Member Agency percentages

Metrolink Board Action:

- Amendment will be taken to Metrolink Board in September 2023
- Metrolink Board is "Dark" in August 2023

Member Agency Invoicing:

- Invoices will be sent to Member Agencies in July 2023

METROLINK

Minute Action

AGENDA ITEM: 6

Date: March 14, 2024

Subject:
Fiscal Year 2023/2024 Low Carbon Transit Operations Program - Population Share

Recommendation:
That the Transit Committee recommend the Board, acting as the San Bernardino County Transportation Authority (SBCTA):

A. Approve a swap of $12,598 of Valley State Transit Assistance-Population Share funds for $12,598 of Low Carbon Transit Operations Program (LCTOP) - Population Share funds for the City of Needles.

B. Approve a swap of $1,054 of Valley State Transit Assistance-Population Share funds for $1,054 LCTOP - Operator Share funds for the City of Needles.

C. Allocate $5,779,784 of LCTOP - Population Share funding to the following projects:

i. Basin Transit: Free Fare Subsidy – $45,000; Bus Stop Improvements - $146,152

ii. Mountain Transit: Bus Stop Revitalization - $132,140

iii. Victor Valley Transit Authority: Fuel Cell Electric Vehicles - $1,069,991; Fare Media Subsidy - $40,000; Free Fares K-12 - $120,000; Free Fares on Special Days - $40,000

iv. Omnitrans: First/Last Mile Shuttle Services – $1,119,590; Student Fare Subsidy Program – $203,167; West Valley Connector Free Fares - $315,000; West Valley Connector Weekend Service $1,482,000

v. SBCTA: San Bernardino County Rail Ridership Recovery Program - $598,946; Southern California Regional Rail Authority Student Adventure Pass - $467,798

D. Allocate $1,054 of LCTOP - Operator Share funds from the City of Needles to SBCTA for the San Bernardino County Rail Ridership Recovery Program.

E. Approve the reallocation of $1,513,951 of LCTOP - Population Share funds and accrued interest estimated at $15,727.35, currently allocated to the Metrolink Double Track Project, to the Omnitrans Student Fare Subsidy Program, and authorize staff to submit a corrective action plan to update the California Department of Transportation (Caltrans) LCTOP programming amount once the Omnitrans Student Fare Subsidy Program allocation request is approved by Caltrans.

F. Adopt Resolution No. 24-018 authorizing the Executive Director, or his designee, to execute Certifications and Assurances for SBCTA projects for LCTOP and nomination of funding requests for listed transit projects.

Background:
The Low Carbon Transit Operations Program (LCTOP), established by the California Legislature in 2014 by Senate Bill 862, is one of several programs that is part of the Transit, Affordable Housing, and Sustainable Communities Program. The LCTOP was created to provide transit operating and capital assistance to eligible agencies in an effort to reduce greenhouse gas emissions and improve mobility, with an emphasis on serving disadvantaged

communities. Auction proceeds from the California Air Resources Board (CARB) Cap-and-Trade Program are deposited into the Greenhouse Gas Reduction Fund (GGRF), which provides funding for a variety of programs designed to provide economic, environmental, and public health co-benefits. Five percent of the proceeds deposited into the GGRF are continually appropriated to fund the LCTOP.

Eligible projects funded by the LCTOP include new or expanded bus or rail services, expanded intermodal transit facilities, and free or reduced transit fares and may include equipment acquisition, fueling, maintenance, and other costs to operate those services or facilities, with each project required to reduce greenhouse gas emissions. For agencies whose service areas include a Disadvantaged Community (DAC), at least 50% of the total monies received shall be expended on projects that will benefit the DAC. Effective this cycle, legislative changes removed the restriction that limited LCTOP for operations projects to five years from the date of implementation.

Administered by the California Department of Transportation (Caltrans), LCTOP funds are apportioned to eligible agencies utilizing the State Transit Assistance (STA) program formula. The formula apportions 50% of LCTOP funds by population and the remaining 50% by operator revenues from the prior fiscal year in accordance with Public Utilities Code (PUC) Section 99313 and PUC Section 99314, respectively. The California State Controller's Office is responsible for determining the estimated funding levels for PUC Section 99313 (Population Share) and PUC Section 99314 (Operator Share) funds. Agencies eligible to receive LCTOP funding include: San Bernardino County Transportation Authority (SBCTA), Basin Transit, Mountain Transit, Victor Valley Transit Authority (VVTA), City of Needles, Omnitrans, and Southern California Regional Rail Authority (SCRRA). The transit operators eligible to receive LCTOP - Operator Share funds work directly with Caltrans to receive the funds.

In March 2024, the SBCTA Board of Directors (Board) approved the total Fiscal Year (FY) 2023/2024 LCTOP - Population Share apportionment in the amount of $5,779,784 based on the auction proceeds resulting from CARB Cap-and-Trade Program. The Board also approved apportioning the funds to the Valley and Mountain/Desert areas based on California Department of Finance Population Data and further apportioning the Mountain/Desert LCTOP - Population Share apportionment to the Mountain/Desert transit operators in accordance with the population of their respective service areas. The total estimated amount of FY 2023/2024 LCTOP - Population Share funds available to the Valley and Mountain/Desert is $4,173,903 and $1,605,881, respectively. With the intent of minimizing the administrative burden on the City of Needles, staff recommends allocating Valley STA - Population Share funds in the amount of $13,652 to the City of Needles in lieu of their LCTOP - Population Share and LCTOP - Operator Share allocations. Staff's recommendation of the LCTOP funding swap with STA funds for the City of Needles is consistent with past practice. Including the City of Needles Population Share and Operator Share apportionment swaps, the total FY 2023/2024 LCTOP allocation for the Valley totals $4,187,555 and for the Mountain/Desert totals $1,593,283 for a total FY 2023/2024 allocation of $5,780,838. Final apportionments approved by the Board in March 2024 (are shown in Table 1 on the following page).

Table 1 – Fiscal Year 2023/2024 LCTOP Allocation[1]

Fiscal Year 2023/2024 LCTOP-Population Share Apportionment					
Apportionment Area	**Population[2]**	**Percentage**	**FY 2023/2024 Population Share[3]**	**STA Fund Swap with City of Needles**	**Total FY 2023/2024 Allocation[4]**
Valley	1,575,784	72.22%	$4,173,903	$13,652	$4,187,555
Mountain/Desert	606,272	27.78%	$1,605,881	($12,598)	$1,593,283
Basin Transit	*72,166*	*11.90%*	*$191,152*		*$191,152*
Mountain Transit	*49,887*	*8.23%*	*$132,140*		*$132,140*
VVTA	*479,463*	*79.08%*	*$1,269,991*		*$1,269,991*
City of Needles	*4,756*	*0.78%*	*$12,598*	($12,598)	*$0*
Total	2,182,056	100.00%	$5,779,784	$1,054	$5,780,838

[1]Due to rounding, some totals may not correspond with the sum and/or products of the figures displayed.
[2]Population Source: California Department of Finance and County Demographic Research Unit July 2023
[3]Total population share amount is determined by the State Controller's Office.
[4]Valley allocation includes $1,054 Needles Operator Share apportionment.

To guide staff with project selection, the LCTOP Allocation Principles approved by the Board in July 2015 recommend that staff take a balanced approach in recommending LCTOP fund allocations to capital projects and operating programs. Since each transit operator in the Mountain/Desert is guaranteed an LCTOP - Population Share allocation due to the use of a population formula to apportion funds, SBCTA staff recommends allowing the Mountain/Desert transit operators to determine their funding needs and project and program priorities. The Valley LCTOP - Population Share apportionment is available to SBCTA, Omnitrans and SCRRA. Using the LCTOP Allocation Principles as guidance, staff recommends LCTOP fund allocations based on an annual determination of the San Bernardino Valley region's priorities and the critical needs of SBCTA, Omnitrans, and SCRRA. Based on staff review and operator discussions, staff is recommending $5,780,838 be allocated to the following projects:

<u>Free Fare Subsidy – $45,000</u>
Basin Transit will provide free fares on fixed-route services throughout Morongo Basin.

<u>Bus Stop Improvements – $146,152</u>
Basin Transit will enhance bus stops for Americans with Disabilities Act (ADA) accessibility.

<u>San Bernardino Mountains Bus Stop Revitalization – $132,140</u>
Mountain Transit will improve existing bus stops that leave patrons exposed to inclement weather and fatigue and bring the facilities up to current codes and standards including lighting and ADA compliance.

<u>Fuel Cell Electric Buses - $1,069,991</u>
VVTA will purchase three new 40', Class H zero-emission fuel cell electric buses (FCEB). Funds for FY 2023/2024 will be rolled over with LCTOP funds from FY 2020/2021, FY 2021/2022, and FY 2022/2023 to fund this FCEB purchase.

Fare Media Subsidy - $40,000
VVTA will collaborate with non-profit human and social service agencies to provide subsidized transportation services to seniors, individuals with disabilities, and low-income populations.

Free Fares for K-12 - $120,000
VVTA will offer free transit to students in grades K-12. This program authorizes students enrolled in K-12 the opportunity to ride Victor Valley Transit Fixed and County Routes fare-free by simply presenting their current student ID to the bus operator upon boarding.

Free Fare on Special Days - $40,000
VVTA will offer free fare days on Cinco de Mayo, National Bike to Work Day, Juneteenth, a future free fare day, and for the months of October and December.

First/Last Mile Shuttle Services – $1,119,590
Omnitrans will provide two shuttle services: one between the San Bernardino Transit Center and downtown San Bernardino to make a connection to Metrolink and the new Arrow Service, and one between the Cucamonga Metrolink Station in Rancho Cucamonga and Ontario International Airport.

Student Fare Subsidy Program – $203,167
Omnitrans will provide free fares to students in grades K-12 in their service area. The $1,513,951 and $15,727.35 reallocated from the Metrolink Double Track Project identified in Recommendation E are in addition to this $203,167.

West Valley Connector Free Fares – $315,000
Omnitrans will provide free fares for the new Bus Rapid Transit – West Valley Connector. This will be a LCTOP Rollover Project, meaning LCTOP funds for FY 2023/2024 will be accrued with FY 2024/2025 funds (two years of allocation) and will be used at the start of service implementation in FY 2025/2026.

West Valley Connector Weekend Service – $1,482,000
Omnitrans will provide weekend service for the Bus Rapid Transit – West Valley Connector. LCTOP Funds for FY 2023/2024 will be accrued with FY 2024/2025 and will be used at the start of service implementation in FY 2025/2026.

San Bernardino County Rail Ridership Recovery Program – $600,000
Through the Inland Empire Commuter Program, and in partnership with Riverside County Transportation Commission, SBCTA will provide free Metrolink trips and passes for riders within San Bernardino County. This total includes the $12,598 and $1,054 that was identified in Recommendations A and B, respectively.

SCRRA Student Adventure Pass – $467,798
SBCTA will provide free fares to college students in San Bernardino County as part of the SCRRA Student Adventure Pass Program.

Caltrans requires that SBCTA submit an authorizing resolution from its governing board that approves the submission of the Certifications and Assurances, authorizes SBCTA to accept the LCTOP funds allocated to SBCTA, and authorizes SBCTA's Executive Director, or his designee, to execute the Certifications and Assurances and other relevant documents necessary for funding and completing the LCTOP funded projects. Additionally, SBCTA is required to submit nominations of funding requests for listed operators' transit projects and does so as part of the resolution. Each agency that receives LCTOP funding is also required to submit an authorizing resolution from its governing board that approves the submission of the Certifications and Assurances, which authorizes their agency to accept the LCTOP funds.

Financial Impact:
This item has no financial impact on the adopted Budget for Fiscal Year (FY) 2023/2024. Any funds allocated to San Bernardino County Transportation Authority and approved by the California Department of Transportation will be received in FY 2024/2025.

Reviewed By:
This item is not scheduled for review by any other policy committee or technical advisory committee. SBCTA General Counsel has reviewed this item and draft resolution.

Responsible Staff:
Nicole Soto, Multimodal Mobility Programs Administrator

Approved
Transit Committee
Date: March 14, 2024

Witnessed By:

RESOLUTION NO. 24-018

RESOLUTION OF THE SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY AUTHORIZING THE EXECUTION OF THE CERTIFICATIONS AND ASSURANCES AND AUTHORIZED AGENT FORMS FOR THE LOW CARBON TRANSIT OPERATIONS PROGRAM AND FOR THE PROJECTS FUNDED BY LOW CARBON TRANSIT OPERATIONS PROGRAM FUNDS

WHEREAS, the San Bernardino County Transportation Authority (SBCTA) is an eligible project sponsor and may receive state funding from the Low Carbon Transit Operations Program (LCTOP) now or sometime in the future for transit projects; and

WHEREAS, the statutes related to state-funded transit projects require a local or regional implementing agency to abide by various regulations; and

WHEREAS, Senate Bill 862 (2014) named the Department of Transportation (Department) as the administrative agency for the LCTOP; and

WHEREAS, the Department has developed guidelines for the purpose of administering and distributing LCTOP funds to eligible project sponsors (local agencies); and

WHEREAS, the Department's LCTOP guidelines require SBCTA to execute certain documents, including Certifications and Assurances and Authorized Agent documents for SBCTA projects; and

WHEREAS, SBCTA wishes to delegate authorization to execute these documents and any amendments thereto to the SBCTA Executive Director, or their designee; and

WHEREAS, SBCTA wishes to implement the LCTOP Projects listed below.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Bernardino County Transportation Authority, as follows:

Section 1. The fund recipient, SBCTA, agrees to comply with all conditions and requirements set forth in the Certifications and Assurances and the Authorized Agent documents and in applicable statutes, regulations and guidelines for all LCTOP funded transit projects.

Section 2. The SBCTA Executive Director, or their designee, is authorized to execute all required documents of the LCTOP program, and any Amendments thereto with the Department.

Section 3. The submittal of the following project nominations and allocation requests to the Department in Fiscal Year (FY) 2023/2024 for LCTOP funds is hereby authorized:

Project Name: Free Fare Subsidy
Amount of LCTOP Funds Requested: $45,000
Project Description: Basin Transit will provide free fares on fixed-route services throughout Morongo Basin.
Contributing Sponsor: SBCTA
Project Lead: Basin Transit
Low Income Community Benefit: This project will benefit a low income community.

Project Name: Bus Stop Improvements
Amount of LCTOP Funds Requested: $146,152
Project Description: Basin Transit will enhance bus stops for Americans with Disabilities Act (ADA) accessibility.
Contributing Sponsor: SBCTA
Project Lead: Basin Transit
Low Income Community Benefit: This project will benefit a low income community.

Project Name: San Bernardino Mountains Bus Stop Revitalization
Amount of LCTOP Funds Requested: $132,140
Project Description: Mountain Transit will improve existing bus stops that leave patrons exposed to inclement weather and fatigue and bring the facilities up to current codes and standards including lighting and ADA compliance.
Contributing Sponsor: SBCTA
Project Lead: Mountain Transit
Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low income community.

Project Name: Fuel Cell Electric Buses
Amount of LCTOP Funds Requested: $1,069,991
Project Description: Victor Valley Transit Authority will purchase three new 40', Class H zero-emission fuel cell electric buses (FCEB). Funds for FY 2023/2024 will be rolled over with LCTOP funds from FY 2020/2021, FY 2021/2022 and FY 2022/2023 to fund this FCEB purchase.
Contributing Sponsor: SBCTA
Project Lead: Victor Valley Transit Authority
Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low income community.

Project Name: Fare Media Subsidy
Amount of LCTOP Funds Requested: $40,000
Project Description: Victor Valley Transit Authority will collaborate with non-profit human and social service agencies to provide subsidized transportation services to seniors, individuals with disabilities, and low-income populations.
Contributing Sponsor: SBCTA
Project Lead: Victor Valley Transit Authority
Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low income community.
Project Name: Free Fares for K-12

Amount of LCTOP Funds Requested: $120,000
Project Description: Victor Valley Transit Authority will offer free transit to students K-12. This program authorizes students enrolled in K-12 the opportunity to ride Victor Valley Transit Fixed and County Routes fare-free by simply presenting their current student ID to the bus operator upon boarding.
Contributing Sponsor: SBCTA
Project Lead: Victor Valley Transit Authority
Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low-income community.

Project Name: Free Fare on Special Days
Amount of LCTOP Funds Requested: $40,000
Project Description: Victor Valley Transit Authority will offer free fare days on Cinco de Mayo, National Bike to Work Day, Juneteenth, a future free fare day, and for the months of October and December.
Contributing Sponsor: SBCTA
Project Lead: Victor Valley Transit Authority
Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low-income community.

Project Name: First/Last Mile Shuttle Services
Amount of LCTOP Funds Requested: $1,119,590
Project Description: Omnitrans will provide two shuttle services: one between the San Bernardino Transit Center and downtown San Bernardino to make a connection to Metrolink and the new Arrow service, and one between the Cucamonga Metrolink Station in Rancho Cucamonga and Ontario International Airport.
Contributing Sponsor: SBCTA
Project Lead: Omnitrans
Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low income community.

Project Name: Student Fare Subsidy Program
Amount of LCTOP Funds Requested: $203,167
Project Description: Omnitrans will provide free fares to students K-12 in their service area.
Contributing Sponsor: SBCTA
Project Lead: Omnitrans
Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low income community.

Project Name: West Valley Connector Free Fares
Amount of LCTOP Funds Requested: $315,000
Project Description: Omnitrans will provide free fares for the new Bus Rapid Transit – West Valley Connector. LCTOP funds for FY 2023/2024 will be accrued with FY 2024/2025 and will be used at the start of service implementation in FY 2025/2026.
Contributing Sponsor: SBCTA
Project Lead: Omnitrans

Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low income community.

Project Name: West Valley Connector Weekend Service
Amount of LCTOP Funds Requested: $1,482,000
Project Description: Omnitrans will provide weekend service for the Bus Rapid Transit – West Valley Connector. LCTOP funds for FY 2023/2024 will be accrued with FY 2024/2025 and will be used at the start of service implementation in FY 2025/2026.
Contributing Sponsor: SBCTA
Project Lead: Omnitrans
Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low income community.

Project Name: San Bernardino County Rail Ridership Recovery Program
Amount of LCTOP Funds Requested: $598,946
Project Description: SBCTA will provide free Metrolink trips and passes for riders within San Bernardino County.
Contributing Sponsor: City of Needles and SBCTA
Project Lead: SBCTA
Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low income community.

Project Name: SCRRA Student Adventure Pass
Amount of LCTOP Funds Requested: $467,798
Project Description: SBCTA will provide free fares to college students in San Bernardino County as part of the SCRRA Student Adventure Pass Program.
Contributing Sponsor: SBCTA
Project Lead: SBCTA
Disadvantaged Community Benefit: This project will benefit a disadvantaged community.
Low Income Community Benefit: This project will benefit a low income community.

Section 4: This resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED at a meeting of the San Bernardino County Transportation Authority held on April 3, 2024.

____
Dawn M. Rowe, President
San Bernardino County Transportation Authority

ATTEST:

____
Marleana Roman, Clerk of the Board
San Bernardino County Transportation Authority

FY 2023-2024 LCTOP
Certifications and Assurances

Lead Agency: Lead Agency

Project Title: Project Title

Prepared by:

The California Department of Transportation (Caltrans) has adopted the following Certifications and Assurances for the Low Carbon Transit Operations Program (LCTOP). As a condition of the receipt of LCTOP funds, Lead Agency must comply with these terms and conditions.

A. General

1. The Lead Agency agrees to abide by the current LCTOP Guidelines and applicable legal requirements.

2. The Lead Agency must submit to Caltrans a signed Authorized Agent form designating the representative who can submit documents on behalf of the project sponsor and a copy of the board resolution appointing the Authorized Agent.

B. Project Administration

1. The Lead Agency certifies that required environmental documentation is complete before requesting an allocation of LCTOP funds. The Lead Agency assures that projects approved for LCTOP funding comply with Public Resources Code § 21100 and § 21150.

2. The Lead Agency certifies that a dedicated bank account for LCTOP funds only will be established within 30 days of receipt of LCTOP funds.

3. The Lead Agency certifies that when LCTOP funds are used for a transit capital project, that the project will be completed and remain in operation for its useful life.

4. The Lead Agency certifies that it has the legal, financial, and technical capacity to carry out the project, including the safety and security aspects of that project.

5. The Lead Agency certifies that they will notify Caltrans of pending litigation, dispute, or negative audit findings related to the project, before receiving an allocation of funds.

6. The Lead Agency must maintain satisfactory continuing control over the use of project equipment and facilities and will adequately maintain project equipment and facilities for the useful life of the project.

7. Any interest the Lead Agency earns on LCTOP funds must be used only on approved LCTOP projects.

8. The Lead Agency must notify Caltrans of any changes to the approved project with a Corrective Action Plan (CAP).

9. Under extraordinary circumstances, a Lead Agency may terminate a project prior to completion. In the event the Lead Agency terminates a project prior to completion, the Lead Agency must (1) contact Caltrans in writing and follow-up with a phone call verifying receipt of such notice; (2) pursuant to verification, submit a final report indicating the reason for the termination and demonstrating the expended funds were used on the intended purpose; (3) submit a request to reassign the funds to a new project within 180 days of termination.

C. Reporting

1. **The Lead Agency must submit the following LCTOP reports:**
    a. **Annual Project Activity Reports October 27th each year.**

    b. **A Close Out Report within six months of project completion.**

    c. **The annual audit required under the Transportation Development Act (TDA), to verify receipt and appropriate expenditure of LCTOP funds. A copy of the audit report must be submitted to Caltrans within six months of the close of the year (December 31) each year in which LCTOP funds have been received or expended.**

    d. **Project Outcome Reporting as defined by CARB Funding Guidelines.**

    e. **Jobs Reporting as defined by CARB Funding Guidelines.**

2. Other Reporting Requirements: CARB develops and revises Funding Guidelines that will include reporting requirements for all State agencies that receive appropriations from the Greenhouse Gas Reduction Fund. Caltrans and project sponsors will need to submit reporting information in accordance with CARB's Funding Guidelines, including reporting on greenhouse gas reductions and benefits to disadvantaged communities.

D. Cost Principles

1. The Lead Agency agrees to comply with Title 2 of the Code of Federal Regulations 225 (2 CFR 225), Cost Principles for State and Local Government, and 2 CFR, Part 200, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

2. The Lead Agency agrees, and will assure that its contractors and subcontractors will be obligated to agree, that:
    a. Contract Cost Principles and Procedures, 48 CFR, Federal Acquisition Regulations System, Chapter 1, Part 31, et seq., shall be used to determine the allow ability of individual project cost items and

    b. Those parties shall comply with Federal administrative procedures in accordance with 2 CFR, Part 200, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments. Every sub-recipient receiving LCTOP funds as a contractor or sub-contractor shall comply with

Federal administrative procedures in accordance with 2 CFR, Part 200, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

3. Any project cost for which the Lead Agency has received funds that are determined by subsequent audit to be unallowable under 2 CFR 225, 48 CFR, Chapter 1, Part 31 or 2 CFR, Part 200, are subject to repayment by the Lead Agency to the State of California (State). All projects must reduce greenhouse gas emissions, as required under Public Resources Code section 75230, and any project that fails to reduce greenhouse gases shall also have its project costs submit to repayment by the Lead Agency to the State. Should the Lead Agency fail to reimburse moneys due to the State within thirty (30) days of demand, or within such other period as may be agreed in writing between the Parties hereto, the State is authorized to intercept and withhold future payments due the Lead Agency from the State or any third-party source, including but not limited to, the State Treasurer and the State Controller.

A. Record Retention

1. The Lead Agency agrees and will assure that its contractors and subcontractors shall establish and maintain an accounting system and records that properly accumulate and segregate incurred project costs and matching funds by line item for the project. The accounting system of the Lead Agency, its contractors and all subcontractors shall conform to Generally Accepted Accounting Principles (GAAP) and enable the determination of incurred costs at interim points of completion. All accounting records and other supporting papers of the Lead Agency, its contractors and subcontractors connected with LCTOP funding shall be maintained for a minimum of three (3) years after the “Project Closeout” report or final Phase 2 report is submitted (per ARB Funding Guidelines, Vol. 3, page 3.A-16), and shall be held open to inspection, copying, and audit by representatives of the State and the California State Auditor. Copies thereof will be furnished by the Lead Agency, its contractors, and subcontractors upon receipt of any request made by the State or its agents. In conducting an audit of the costs claimed, the State will rely to the maximum extent possible on any prior audit of the Lead Agency pursuant to the provisions of federal and State law. In the absence of such an audit, any acceptable audit work performed by the Lead Agency’s external and internal auditors may be relied upon and used by the State when planning and conducting additional audits.

2. For the purpose of determining compliance with Title 21, California Code of Regulations, Section 2500 et seq., when applicable, and other matters connected with the performance of the Lead Agency’s contracts with third parties pursuant to Government Code § 8546.7, the project sponsor, its contractors and subcontractors and the State shall each maintain and make available for inspection all books, documents, papers, accounting records, and other evidence pertaining to the performance of such contracts, including, but not limited to, the costs of administering those various contracts. All of the above referenced parties shall make such materials available at their respective offices at all reasonable times

during the entire project period and for three (3) years from the date of final payment. The State, the California State Auditor, or any duly authorized representative of the State, shall each have access to any books, records, and documents that are pertinent to a project for audits, examinations, excerpts, and transactions, and the Lead Agency shall furnish copies thereof if requested.

3. The Lead Agency, its contractors and subcontractors will permit access to all records of employment, employment advertisements, employment application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission, or any other agency of the State of California designated by the State, for the purpose of any investigation to ascertain compliance with this document.

F. Special Situations

Caltrans may perform an audit and/or request detailed project information of the project sponsor's LCTOP funded projects at Caltrans' discretion at any time prior to the completion of the LCTOP.

I certify all of these conditions will be met.

Print Authorized Agents Name.	
(Print Authorized Agent)	*(Title)*
(Signature)	*(Date)*

Caltrans

FY 2021-2022 LCTOP
Authorized Agent

AS THE **Executive Director**
(Chief Executive Officer/Director/President/Secretary)

OF THE **San Bernardino County Transportation Authority**
(Name of County/City/Transit Organization)

I hereby authorize the following individual(s) to execute for and on behalf of the named Regional Entity/Transit Operator, any actions necessary for the purpose of obtaining Low Carbon Transit Operations Program (LCTOP) funds provided by the California Department of Transportation, Division of Rail and Mass Transportation. I understand that if there is a change in the authorized agent, the project sponsor must submit a new form. This form is required even when the authorized agent is the executive authority himself. I understand the Board must provide a resolution approving the Authorized Agent. The Board Resolution appointing the Authorized Agent is attached.

Victor Lopez, Director of Transit and Rail Programs OR
(Name and Title of Authorized Agent)

Carrie Schindler, Deputy Executive Director OR
(Name and Title of Authorized Agent)

Andrea Zureick, Director of Fund Administration OR
(Name and Title of Authorized Agent)

Dr. Raymond W. Wolfe — Executive Director
(Print Name) — *(Title)*

Ray W. Wolfe
(Signature)

Approved this 14th *day of* June , 2022

Minute Action

AGENDA ITEM: 7

Date: March 14, 2024

Subject:
Fiscal Year 2023/2024 Senate Bill 125 Allocations

Recommendation:
That the Transit Committee recommend the Board, acting as the San Bernardino County Transportation Authority (SBCTA):

A. Approve the funding allocations in Table 2 for the Senate Bill 125 Formula-Based Funding for Transit and Intercity Rail Capital Program and Zero-Emission Transit Capital Program for Fiscal Year 2023/2024.

B. Direct staff to prepare funding agreements with the transit operators to outline the project schedule and local funding commitments after allocations have been approved by the California State Transportation Agency.

C. Authorize the Executive Director, or his designee, to execute the funding agreements with the transit operators upon approval as to form by SBCTA General Counsel.

Background:
The Transit and Intercity Rail Capital Program (TIRCP) was created by Senate Bill (SB) 862 (Chapter 36, Statutes of 2014) and modified by SB 9 (Chapter 710, Statutes of 2015), to provide grants from the Greenhouse Gas Reduction Fund (GGRF) to fund transformative capital improvements that will modernize California's intercity commuter and urban rail systems, and bus and ferry transit systems to significantly reduce emissions of greenhouse gases, vehicle miles traveled, and congestion. Assembly Bill (AB) 398 (Chapter 135, Statutes of 2017) extended the Cap-and-Trade Program that supports the TIRCP from 2020 through 2030. SB 1 (Chapter 5, Statutes of 2017) continues to provide a historic funding increase for transportation with funds directed to the TIRCP from the Public Transportation Account (PTA).

AB 102 (Chapter 38, Statutes of 2023) and SB 125 (Chapter 54, Statutes of 2023) amended the Budget Act of 2023 to appropriate $4 billion from the General Fund to the TIRCP over the next two fiscal years as well as $910 million of GGRF funding and $190 million of PTA funding over the next four fiscal years to establish the Zero-Emission Transit Capital Program (ZETCP). These funds are formula funds that are to be administered by San Bernardino County Transportation Authority (SBCTA). The TIRCP portion is distributed to SBCTA based on a population formula and the ZETCP is distributed to SBCTA based on the State Transportation Assistance (STA) formula, which is 50% based on population and 50% based on transit operator revenues.

As outlined in SB 125, it is the intent of the Legislature to:

1. Provide one-time multiyear bridge funding for transit operators to address operational costs until long-term transit sustainability solutions are identified.
2. Assist transit operators in preventing service cuts and increasing ridership.
3. Prioritize the availability of transit for riders who are transit dependent.
4. Prioritize transit agencies representing a significant percentage of the region's ridership.

In March 2024, San Bernardino County Transportation Authority (SBCTA) Board of Directors apportioned the Fiscal Year (FY) 2023/2024 funds to the Valley Subarea and to the Mountain/Desert operators in the same manner as they are received by SBCTA. Table 1 below is the resulting apportionment with the TIRCP funds being apportioned based on population and ZETCP funds being apportioned in the same manner as the STA funds with 50% based on population and 50% based on transit operator revenue, consistent with the FY 2023/2024 STA operator apportionments.

Table 1 – Fiscal Year 2023/2024 TIRCP/ZETCP Formula Apportionments

				TIRCP	ZETCP	TOTAL
			Estimated Fiscal Year 2023/2024 Apportionment	$ 110,856,746	$ 13,864,934	$ 124,721,680
			Less SBCTA Administration		$ 2,591,912	$ 2,591,912
			Total Estimated Funds Available	$ 110,856,746	$ 11,273,022	$ 122,129,768
Apportionment Area	**Population**	**Percentage**	**Revenue Basis Percentage (PUC Section 99314)**	**TIRCP Apportionment**	**ZETCP Apportionment**	**Total Apportionment**
Valley	1,584,480	72.43%	90.81%	$ 80,291,222	$ 9,200,869	$ 89,492,091
Mountain/Desert	603,185	27.57%	9.19%	$ 30,565,524	$ 2,072,153	$ 32,637,677
MBTA	71,822	11.91%	1.53%	$ 3,639,476	$ 246,734	$ 3,886,209
Mountain Transit	50,897	8.44%	0.84%	$ 2,579,132	$ 174,849	$ 2,753,981
VVTA	475,590	78.85%	6.74%	$ 24,099,833	$ 1,633,819	$ 25,733,652
City of Needles	4,876	0.81%	0.09%	$ 247,084	$ 16,751	$ 263,835
TOTAL	**2,187,665**	**100.00%**	**100.00%**	**$ 110,856,746**	**$ 11,273,022**	**$ 122,129,768**

As approved by the Board in December 2023, the Initial Allocation Package that was submitted to the California State Transportation Agency in December 2023 was limited to known funding shortfalls for SBCTA capital projects to allow time for SBCTA and the operators to review their Short Range Transit Plans and plan for the best use of these funds. There is $56,157,312 remaining from the FY 2023/2024 SB 125 TIRCP and $9,200,869 in ZETCP in the apportionment for the Valley. Additionally, there is $30,565,524 in TIRCP and $2,072,153 in ZETCP in the Mountain/Desert apportionment for SB 125, bringing the combined FY 2023/2024 SB 125 TIRCP balance to $97,995,858.

Based on staff reviews and operator discussions staff is recommending allocations to the following projects: (as shown in Table 2 beginning on the following page).

Table 2 – SB 125 Project Recommendations

Project	Description	Capital Cost	Operating Cost
VVTA Retrofit Maintenance Shop	Retrofit the maintenance shop to allow staff to safely work on fuel cell buses.	$1,430,000	$ 0
VVTA Barstow Transfer Point	Build approximately eight - ten saw tooth cutouts with shelters and two operator restrooms for the Barstow Transfer Point to increase ridership and improve connectivity.	$3,650,000	$ 0
VVTA Improve Barstow County Routes	Improve route 28 and 29 by adding another route, 27. Increasing the frequency of the route from 180 minutes to 120 minutes. One more Fuel Cell Electric bus will be purchased to achieve this goal.	$1,500,000	$1,600,000
VVTA Improvements on Victorville/Adelanto Routes	Improve routes 32 and 55 by increasing the frequency from 60 minutes to 30 minutes per route. This requires three additional Fuel Cell Electric Buses.	$4,500,000	$2,400,000
VVTA Sheriff Contract	Two years of Sheriff department contract and enhance coverage of system wide security.	$ 0	$3,600,000
VVTA Microtransit	Improve the microtransit system by increasing service, adding multiple zones in Apple Valley and North Adelanto. Purchase one additional microtransit vehicle.	$190,000	$1,270,000
VVTA Operations and Maintenance Contract Increase	Third party operations and maintenance service contract increase to prevent service cuts, support recovery strategies, and improve workforce development.	$ 0	$5,593,652
City of Needles Fort Mohave Shuttle	Implement the Fort Mohave Shuttle to give City of Needles residents access to a pharmacy and grocery store.	$ 0	$ 247,084
City of Needles Zero-Emission Vehicle	Purchase a Zero-Emission Vehicle to meet the state mandate.	$16,751	$ 0

Project	Description	Capital Cost	Operating Cost
Omnitrans Operating	Use to address operational cost increases to prevent service cuts.	$ 0	$38,930,779
SBCTA Arrow DMU to ZEMU	These funds will be used to convert the Arrow Service fleet to Zero-Emissions.	$9,200,869	$ 0
Metrolink/Arrow Operating	Use to address operational cost increases to prevent service cuts.	$ 0	$16,226,533
Basin Transit Operating	These funds will be used to cover funding shortfalls expected in the next four years.	$ 0	$ 3,639,475
Basin Transit Zero-Emission Vehicles	Purchase Zero-Emission Vehicles to meet the state mandate.	$246,734	$ 0
Mountain Transit Airport Shuttle (Valley Share)	Operating and Capital to create and operate a new airport (ONT) shuttle from Big Bear and Crestline twice weekly	$315,000	$685,000
Mountain Transit Onboard Passenger Information System	Install and implement Onboard Passenger Information hardware and software.	$594,270	$95,200
Mountain Transit Microtransit	Create Microtransit option in the Mountain Community; includes the purchase of two vehicles.	$460,000	$237,640
Mountain Transit Operating	Use to address operational cost increases to prevent service cuts.	$30,550	$1,336,321
	SUBTOTAL	**$22,134,174**	**$75,861,684**
		TOTAL	**$97,995,858**

Financial Impact:
This item has no financial impact on the adopted Budget for Fiscal Year 2023/2024.

Reviewed By:
This item is not scheduled for review by any other policy committee or technical advisory committee.

Responsible Staff:
Nancy Strickert, Transit Manager

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Approved
Transit Committee
Date: March 14, 2024

Witnessed By:

Minute Action

AGENDA ITEM: 8

Date: March 14, 2024

Subject:
California Department of Transportation Master Agreement - Greenhouse Gas Reduction Funds

Recommendation:
That the Transit Committee recommend the Board, acting as the San Bernardino County Transportation Authority:

A. Authorize the Executive Director, or his designee, to execute Agreement No. 24-1003137 between the California Department of Transportation and the San Bernardino County Transportation Authority (SBCTA), which establishes standards for implementation of projects when SBCTA acts as an administering agency for transit projects funded by the Greenhouse Gas Reduction Fund, in substantially the form shown attached to this item, subject to approval as to form by SBCTA General Counsel.

B. Adopt Resolution No. 24-017 authorizing the Executive Director, or his designee, to execute Program Supplements for specific projects under Agreement No. 24-1003137 based upon SBCTA Board of Directors' prior approval of the specific project and project costs.

Background:
The Transit and Intercity Rail Capital Program (TIRCP) was created by Senate Bill (SB) 862 (Chapter 36, Statutes of 2014) and modified by SB 9 (Chapter 710, Statutes of 2015) to provide grants from the Greenhouse Gas Reduction Fund (GGRF) to fund transformative capital improvements that will modernize California's intercity, commuter and urban rail systems, bus and ferry transit systems in order to significantly reduce emissions of greenhouse gases, vehicle miles traveled and congestion. With the goal of reducing greenhouse gases to forty percent below 1990 levels by 2030 in accordance with SB 32, the objectives of the TIRCP include expanding and improving transit service to increase ridership; integrating the rail service of the state's various rail operations, including integration with the high-speed rail system; and improving transit safety. SB 862 also established a programmatic goal to provide at least twenty-five percent of available funding to projects that address a community need and provide a direct, meaningful and assured benefit to disadvantaged communities, consistent with the objectives of SB 535 and Assembly Bill (AB) 1550. The California Department of Transportation (Caltrans), in collaboration with the California State Transportation Agency (CalSTA), is responsible for administering the TIRCP.

In April 2017, the Legislature passed, and Governor Brown signed into law the Road Repair and Accountability Act of 2017, also known as Senate Bill 1 (SB 1). The additional funding directed to the TIRCP by SB 1 is also covered by this Master Agreement. In 2019 and 2020, Governor Newsom signed executive orders E.O. N-9-19 and E.O. N-79-20 empowering CalSTA to leverage discretionary state transportation funds to reduce transportation-related Greenhouse Gas (GHG) emissions to adapt to climate change. CalSTA then adopted the Climate Action Plan for Transportation Infrastructure (CAPTI) in July 2021 – which put forth a set of guiding principles which serve as a framework for state discretionary transportation investment. TIRCP is closely linked to CAPTI and serves as a means by which to implement the higher-level policy developed in the plan.

Entity: San Bernardino County Transportation Authority

Caltrans utilizes Master Agreements and associated Program Supplements for state-funded transit projects in order to properly administer and reimburse state transit funds to regional and local agencies. It includes basic provisions to ensure state laws and regulations are met for state-funded transit projects. The Master Agreement associated with this agenda item specifically covers transit projects funded by grants from the GGRF, such as the TIRCP.

Specific projects will have individual Program Supplements to this agreement which establish specific dollar amounts and specific conditions of the individual projects. SBCTA accepts funding for projects through Program Supplements to the Master Agreement. Resolution No. 24-017 authorizes the Executive Director, or his designee, to execute all Program Supplements associated with this Master Agreement and any Amendments thereto with Caltrans, provided the SBCTA Board of Directors has taken prior action to approve the specific project and the associated costs.

Financial Impact:
This item has no financial impact on the adopted Budget for Fiscal Year 2023/2024.

Reviewed By:
This item is not scheduled for review by any other policy committee or technical advisory committee. SBCTA General Counsel and Risk Manager have reviewed this item and the draft agreement.

Responsible Staff:
James Mejia, Management Analyst II

Approved
Transit Committee
Date: March 14, 2024

Witnessed By:

Contract Summary Sheet

General Contract Information

Contract No: 24-1003137 Amendment No.: 0

Contract Class: Payable Department: Fund Administration

Vendor No.: 00450 Vendor Name: Caltrans

Description: Master Agreement for State-funded SB1 and TIRCP Transit Projects

List Any Related Contract Nos.:

Dollar Amount

Original Contract	$	-	Original Contingency	$	-
Prior Amendments	$	-	Prior Amendments	$	-
Prior Contingency Released	$	-	Prior Contingency Released (-)	$	-
Current Amendment	$	-	Current Amendment	$	-
Total/Revised Contract Value	**$**	**-**	**Total Contingency Value**	**$**	**-**
			Total Dollar Authority (Contract Value and Contingency)	**$**	**-**

Contract Authorization

Board of Directors Date: 4/3/2024 Committee Item #

Contract Management (Internal Purposes Only)

Zero Dollar Contracts Sole Source? N/A N/A

Zero Dollar MOU/COOP/JPA (zero dollar contract) N/A

Accounts Payable

Estimated Start Date: 4/3/2024 Expiration Date: 4/1/2034 Revised Expiration Date:

NHS: N/A QMP/QAP: N/A Prevailing Wage: N/A

	Fund	Prog	Task	Sub-Task	Object	Revenue	PA Level	Revenue Code Name	Total Contract Funding:	Total Contingency:
									$ -	$ -
GL:									-	-
GL:									-	-
GL:									-	-
GL:									-	-
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James Mejia
Project Manager (Print Name)

Andrea Zureick
Task Manager (Print Name)

Additional Notes: This is the Master Agreement for TIRCP funding. It is a zero dollar contract as any project funding coming into SBCTA will be tracked with separate contracts. The Contract Authorization date will be updated after the eventual Executive Director approval.

California State Transportation Agency

Transit and Intercity Rail Capital Program

Grant Recipient:

San Bernardino County Transportation Authority

CalSTA Transit and Intercity Rail Capital Program Administered by:

California Department of Transportation
Division of Local Assistance
1120 N Street, Room 3300
P.O. Box 942874, MS-39
Sacramento, California 94274-0001

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STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION

Effective Date of this Agreement: April 1, 2024 or upon final signature, whichever is later

Termination Date of this Agreement: April 1, 2034

Recipient: San Bernardino County Transportation Authority

Application Funding: The Greenhouse Gas Reduction Fund and Senate Bill 1 Fund are the applicable funding source covered by this Agreement and will be identified in each specific Program Supplement, adopting the terms of this Agreement.

RECITALS

1. WHEREAS, The Global Warming Solutions Act of 2006, codified at Cal. Health & Safety C. § 38500 et seq. (the "Act") (Assembly Bill [AB] 32, Nunez, Chapter 488) created a comprehensive program to reduce greenhouse gas emissions in California. The Act required California to reduce greenhouse gases to 1990 levels by 2020, and to maintain and continue reductions beyond 2020. In March 2012, Governor Brown signed Executive Order B-16-2012 affirming a long-range climate goal for California to reduce greenhouse gases from the transportation sector to 80 percent below 1990 levels by 2050.

2. WHEREAS, the Cap-and-Trade Program is a key element in California's climate plan. It creates a limit on the emissions from sources responsible for 85 percent of California's greenhouse gas emissions, establishes the price signal needed to drive long-term investment in cleaner fuels and more efficient use of energy, and gives covered entities flexibility to implement the lowest-cost options to reduce greenhouse gas emissions.

3. WHEREAS, in 2012, the Legislature passed and Governor Brown signed into law three bills, AB 1532 (Pérez, Chapter 807, Statutes of 2012), Senate Bill (SB) 535 (De León, Chapter 830, Statutes of 2012), and SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), that established the Greenhouse Gas Reduction Fund (GGRF) to receive proceeds from the distribution of allowances via auction and provided the framework for how those auction proceeds will be appropriated and expended. These statutes require that expenditures from the GGRF be used to facilitate the achievement of greenhouse gas emission reductions and further the purposes of the Act.

4. WHEREAS, in 2017, the Legislature passed and Governor Brown signed into law the Road Repair and Accountability Act of 2017 SB 1, which directed additional funding to the Transit and Intercity Rail Capital Program (TIRCP).

5. WHEREAS, TIRCP is funded pursuant to Public Resources Code section 75220 et seq. and Health and Safety Code section 39719 et seq.

6. WHEREAS, as directed by Cal. Pub. Resources C. §§ 75223, 75224, CalSTA has established and updated TIRCP Program Guidelines that describe the policy, standards, criteria, and procedures for the development, adoption and management of the TIRCP Program.

7. WHEREAS, Recipient submitted an application which has been evaluated and selected by CalSTA in accordance with the TIRCP Program Guidelines.

8. WHEREAS, on August 17, 2015, CalSTA delegated the administration of the TIRCP Program to the Department pursuant to the TIRCP Program Guidelines and the Department's policies and procedures for the administration of similar grant programs.

9. NOW THEREFORE, in consideration of the recitals and the rights, duties and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to the following:

10. This Agreement, entered into effective as of the date set forth above, is between the signatory public entity identified hereinabove, (hereinafter referred to as Recipient), and the STATE OF CALIFORNIA, acting by and through the California Department of Transportation (hereinafter referred to as DEPARTMENT), and subject to the approval of the California State Transportation Agency (CalSTA).

ARTICLE I - DEFINITIONS

The terms defined in this Article I shall for all purposes of this Agreement have the meanings specified herein.

1.1 "Act" refers to the Global Warming Solutions Act of 2006 (the "Act") (Assembly Bill [AB] 32, Nunez, Chapter 488) codified at Cal. Health & Safety C. §§ 38500 et seq.

1.2 "Agreement" shall mean this Agreement, inclusive of all appendices and Program Supplements, whereby the Department, on behalf of CalSTA, and pursuant to the Act and as set forth herein, administers the TIRCP Program.

1.3 "Award Agreement" shall mean a project-specific subcontract to this agreement executed following Project award and may include Project specific information, expected outcomes, and deliverables.

1.4 "California Department of Transportation" or "Caltrans" or "Department" or "State" means the State of California, acting by and through its Department of Transportation of the State of the State of California, and any entity succeeding to the powers, authorities and responsibilities of the Department invoked by or under this Agreement or the Program Supplements.

1.5 "California Transportation Commission" or "CTC" shall refer to the commission established in 1978 by Assembly Bill 402 (Chapter 1106, Statutes of 1977).

1.6 "Effective Date" means the date set forth on page 4 of this Agreement.

1.7 "Greenhouse Gas Reduction Funds" or "GGRF" shall mean the funds subject to Chapter 26, Statutes of 2014, authorizing the State to fund capital improvements and operational investments for California's transit systems and intercity, commuter, and urban rail systems.

1.8 "Senate Bill 1" or "SB 1" shall mean the funds subject to Chapter 5, Statutes of 2017, authorizing the State to fund capital improvements and investments for California's transit systems and intercity, commuter, and urban rail systems.

1.9 "Overall Funding Plan" has the meaning set forth in Article II, Section 2(A)(5)(c).

1.10 "Program Guidelines" shall mean the policy, standards, criteria, and procedures for the development, adoption and management of the TIRCP Projects established by CalSTA and provided in Appendix A.

1.11 "Program Supplement" shall mean a project-specific subcontract to this Agreement that is executed following a CTC approved action and includes all Project specific information needed to encumber funding and shall include expected outcomes and deliverables. Also referred to as Project Supplement Agreement.

1.12 "Program Supplement Last Expenditure Date" refers to the last date for Recipient to incur valid Project costs or credits.

1.13 "Program Supplement Termination" shall occur when the Recipient's obligations have been fully performed as set forth in Article II, Section 2D and Article III, Section 3(C)(2) or when terminated by convenience as set forth in Article III, Section 3(C)(1).

1.14 "Project" shall mean the project identified in Recipient's application.

1.15 "Project Closeout Report" shall have the meaning set forth in Article II, Section 3(B).

1.16 "Project Financial Plan" shall have the meaning set forth in Article II, Section 2(A)(5)(d).

1.17 "Progress Payment Invoice" shall have the meaning set forth in Article II, Section 3A.

1.18 "Project Schedule" has the meaning set forth in Article II, Section 2(A)(5)(b).

1.19 "Scope of Work" has the meaning set forth in Article II, Section 2(A)(5)(a).

1.20 "Secretary" shall mean the Secretary of the California State Transportation Agency (CalSTA). Unless the context otherwise requires, any reference to the Secretary includes CalSTA and its officers and employees.

1.21 "State" shall mean the State of California.

1.22 "TIRCP Projects" shall mean projects that are selected and funded pursuant to the Transit and Intercity Rail Capital Program.

ARTICLE II – TIRCP PROJECTS AND ADMINISTRATION

Section 1. TIRCP Projects and Project Management

1. TIRCP Projects, pursuant to the Act, are established by CalSTA in accordance with the TIRCP Program Guidelines. Under delegation from CalSTA, the Department will administer the TIRCP Program in accordance with the TIRCP Program Guidelines and best management practices identified in the administration of similar Department grant programs.

2. By this reference, TIRCP Program Guidelines are made an express part of this Agreement and shall apply to each TIRCP Program funded Project as may be amended or updated. Recipient will cause its specific TIRCP mandated Resolution to be attached as part of any TIRCP funded Program Supplement as a condition precedent to the acceptance of GGRF or SB 1 Funds (upon availability and allocation), for such project.

3. All inquiries during the term of this Agreement and any applicable Program Supplement will be directed to the project representatives identified below:

State's Project Administrator:
Department of Transportation
Ezequiel Castro
Chief, Capital Southern Branch
Phone: (916) 654-8012
Email: ezequiel.castro@dot.ca.gov

Recipient's Project Administrator:
San Bernardino County Transportation Authority
James Mejia
Management Analyst II
(909) 884-8276
jmejia@gosbcta.com

Section 2. Program Supplement

A. *General*

1. This Agreement shall have no force and effect with respect to the Project unless and until a separate Project specific program supplement, hereinafter referred to as "Program Supplement," adopting all of the terms and conditions of this Agreement has been fully executed by both State and Recipient.

2. Recipient agrees to complete the defined scope of work for the Project, described in the Program Supplement adopting all of the terms and conditions of this Agreement.

3. A financial commitment of actual funds will only occur in each detailed and separate Program Supplement. No funds are obligated by the prior execution of this Agreement alone.

4. Recipient further agrees, as a condition to the release and payment of the funds encumbered for the scope of work described in each Program Supplement, to comply with the terms and conditions of this Agreement and all the agreed-upon special covenants and conditions attached to or made a part of the Program Supplement identifying and defining the nature of that specific scope of work.

5. The Program Supplement shall include a detailed scope of work, which shall include but not be limited to, a Project Description, a Project Schedule, an Overall Funding Plan, and a Project Financial Plan as required in the TIRCP Program Guidelines.

a. The Scope of Work shall include a detailed description of the Project and will itemize the major tasks and their estimated costs.

b. The Project Schedule shall include major tasks and/or milestones and their associated beginning and ending dates and duration.

c. The Overall Funding Plan shall itemize the various Project Components, the committed funding program(s) or source(s), and the matching funds to be provided by Recipient and/or other funding sources, if any [these Components include Environmental and Permits; Plans, Specifications and Estimates (PS&E); Right-of-Way (ROW); and Construction (including transit vehicle acquisition)].

d. The Project Financial Plan shall identify estimated expenditures for the Project Component by funding source, provided that for the purposes of this Agreement the State is only monitoring compliance for expenditures for the TIRCP, including but not limited to GGRF and SB 1 Funds allocated for the Project Component.

6. Adoption and execution of the Program Supplement by Recipient and State, incorporating the terms and conditions of this Agreement into the Program Supplement as though fully set forth therein, shall be sufficient to bind Recipient to these terms and conditions when performing the Project. Unless otherwise expressly delegated to a third-party in a resolution by Recipient's governing body, which delegation must be expressly assented to and concurred in by State, the Program Supplement shall be managed by Recipient.

7. The estimated cost and scope of the Project will be as described in the applicable Program Supplement. The State shall not participate in any funding for the Project beyond those amounts actually encumbered by the STATE as evidenced in the applicable Program Supplement unless the appropriate steps are followed and approval is granted by the CTC as described below.

8. Upon the stated expiration date of this Agreement, any Program Supplement executed under this Agreement for the Project with obligations yet to be completed pursuant to the approved Project Schedule, deliverables, and reporting requirements shall be deemed to extend the term of this Agreement only to conform to the specific Project termination or completion date, including completion of deliverables and reporting requirements, contemplated by the applicable Program Supplement to allow that uncompleted Project to be administered under the extended terms and conditions of this Agreement.

9. Total project cost includes the cost of a project for all phases (Plans, Specifications, and Estimates (PS&E), Project Approval and Environmental Document (PA&ED) Right-of-Way (ROW), and Construction (CON) including rolling stock) of a Project from start to finish.

B. *Project Overrun*

1. If Recipient or the State determine, at any time during the performance of the Project, that the Project budget may be exceeded, Recipient shall take the following steps:

a. Notify the designated State representative of the nature and projected extent of the overrun and, within a reasonable period thereafter, identify and quantify potential cost savings or other measures which Recipient will institute to bring the Project Budget into balance; and

b. Identify the source of additional Recipient or other third-party funds that can be made available to complete Project. Recipient agrees that the allocation of the GGRF and SB 1 funds is subject to the allocation proposed by the CalSTA, submitted by the State, and approved by the CTC.

C. *Cost Savings and Project Completion*

1. Recipient is encouraged to evaluate design and construction alternatives that would mitigate the costs of delivering the commitments for the Project. Recipient shall take all steps necessary on a commercially reasonable basis that would generally be taken in accordance with best management practices. In determining cost savings, the Parties shall take into account all avoided costs, including avoided design, material, equipment, labor, construction, testing, acceptance and overhead costs and avoided costs due to time savings, and all the savings in financing costs associated with such avoided costs.

2. If there is an identification and implementation of any CalSTA approved alternative resulting in reduction of the Project costs, the parties agree that the recipient shall provide a prorated share of Project or TIRCP funded Project component cost savings based on the overall project match to the Department no later than 30 days after the submission of the final invoice. Subject to CalSTA's approval, savings may be used towards another project component or towards increasing project benefits that are consistent with the original project award while maintaining the overall project match referenced in the project award and program supplements.

3. Program supplements will indicate the Project or Component proration of funding match.

4. The Recipient agrees to complete the Project and accepts sole responsibility for the payment of any cost increases. If either the Project or the funded components are not completed, the Recipient shall bear the burden of full TIRCP funds reimbursement to the Department.

D. Scope of Work

1. Recipient shall be responsible for complete performance of the work described in the approved Program Supplement for the Project related to the commitment of encumbered funds. All work shall be accomplished in accordance with the applicable provisions of the Act, Public Utilities Code, the Streets and Highways Code, the Government Code, and other applicable statutes and regulations.

2. Recipient acknowledges and agrees that Recipient is the sole control and manager of the Project, unless expressly provided to the contrary in a Program Supplement, and its subsequent employment, operation, repair and maintenance for the benefit of the public. Recipient shall be solely responsible for complying with the funding and use restrictions established by (a) the statutes from which the GGRF and SB1 Funds are derived, (b) the CTC, (c) the State Treasurer, (d) the Internal Revenue Service, (e) the applicable Program Supplement, and (f) this Agreement.

3. Recipient acknowledges and agrees that the Recipient is responsible for complying with all reporting requirements established by the TIRCP Guidelines and California Air Resource Board (CARB) Funding Guidelines.

E. Program Supplement Amendments

Program Supplement amendments will be required whenever there are CalSTA or CTC approved actions, including but not limited to, Financial Allocations, Financial Allocation Amendments, Time Extensions and Technical Corrections. These changes shall be mutually binding upon the Parties only following the execution of a Program Supplement amendment.

Section 3. Allowable Costs and Payments

A. *Allowable Costs and Progress Payment Invoice*

1. Not more frequently than once a month, Recipient will prepare and submit to State signed Progress Payment Invoice for actual Project costs incurred and paid for by Recipient consistent with the allocation and Scope of Work document in the Program Supplement and State shall pay those uncontested allowable costs once the invoice is reviewed and approved by the Department, subject to CalSTA's approval. If no costs were incurred during any given quarter, Recipient is exempt from submitting a signed Progress Payment Invoice.

2. State shall not be required to reimburse more funds, cumulatively, per quarter of any fiscal year greater than the sums identified and included in the Project Financial Plan. The State shall hold the right to determine reimbursement availability based on an approved expenditure plan and TIRCP anticipated or actual funding capacity. Each such invoice will report the total of Project expenditures from GGRF and SB 1 Funds (including those of Recipient and third parties) and will specify the percent of State reimbursement requested and the GGRF and SB 1 Funds source.

B. *Final Invoice*

The Program Supplement Last Expenditure Dates(s) refer to the last date for Recipient to incur valid Project costs or credits. Recipient has one hundred and eighty (180) days after that Last Expenditure Date to make already incurred final allowable payments to Project contractors or vendors, prepare the Project Closeout Report, and submit the final invoice to State for reimbursement of allowable Project costs before those remaining State funds are unencumbered and those funds are reverted as no longer available to pay any Project costs. Recipient expressly waives any right to allowable reimbursements from State pursuant to this Agreement for costs incurred after that termination date and for costs invoiced to Recipient for payment after that one hundred and eightieth (180^{th}) day following the Project Last Expenditure Date.

ARTICLE III – GENERAL PROVISIONS

Section 1. Funding

1. Recipient agrees to contribute at least the statutorily or other required local contribution of matching funds (other than State or federal funds), if any is specified within the Program Supplement or any appendices thereto, toward the actual cost of the Project or the amount, if any, specified in any executed SB 2800 (Streets and Highways Code Section 164.53). Agreement for local match fund credit, whichever is greater. Recipient shall contribute not less than its required match amount toward the Project cost in accordance with a schedule of payments as shown in the Project Financial Plan prepared by Recipient and approved by State as part of a Program Supplement.

Section 2. Audits and Reports

A. *Cost Principles*

1. Recipient agrees to comply with Title 2 Code of Federal Regulations 200 (2 CFR 200) Uniform Administrative Requirements, Cost Principles for State and Local Government, and Audit Requirements for Federal Awards.

2. Recipient agrees, and will assure that its contractors and subcontractors will be obligated to follow 2 CFR 200 and which shall be used to determine the allowability of individual Project cost items. Every sub-recipient receiving Project funds as a contractor or sub-contractor under this Agreement shall comply with 2 CFR 200.

3. Any Project costs for which Recipient has received payment or credit that are determined by subsequent audit to be unallowable under 2 CFR 200, are subject to repayment by Recipient to State. Should Recipient fail to reimburse moneys due State within thirty (30) days of demand, or within such other period as may be agreed in writing between the Parties hereto, State is authorized to intercept and withhold future payments due to Recipient from State or any third-party source whose funding passes through the State, including but not limited to, the State Treasurer, the State Controller and the CTC.

4. The State may terminate the grant at any time if it is determined by the State, based on an audit under this section, that there has been a violation of any State or federal law or policy by the Recipient during performance under this or any other grant agreement or contract entered into with the State. If the grant is terminated under this section, the Recipient may be required to fully or partially repay funds.

B. *Record Retention*

1. Recipient agrees to, and will assure that its contractors and subcontractors shall, establish and maintain an accounting system and records that properly accumulate and segregate incurred Project costs and matching funds by line item for the Project. The accounting system of Recipient, its contractors and all subcontractors shall conform to Generally Accepted Accounting Principles (GAAP), enable the determination of incurred costs at interim points of completion, and provide support for reimbursement payment vouchers or invoices. All accounting records and other supporting papers of Recipient and its contractors and subcontractors connected with Project performance under this Agreement and each Program Supplement shall be maintained for a minimum of three (3) years from the date of final payment to Recipient under a Program Supplement and shall be held open to inspection, copying, and audit by representatives of State, the California State Auditor, and auditors representing the federal government. Copies thereof will be furnished by Recipient, its contractors and subcontractors upon receipt of any request made by State or its agents. In conducting an audit of the costs and match credits claimed under this Agreement, State will rely to the maximum extent possible on any prior audit of Recipient pursuant to the provisions of federal and State law. In the absence of such an audit, any acceptable audit work performed by Recipient's external and internal auditors may be relied upon and used by State when planning and conducting additional audits.

2. For the purpose of determining compliance with Title 21, California Code of Regulations, Section 2500 et seq., when applicable, and other matters connected with the performance of Recipient's contracts with third parties pursuant to Government Code section 8546.7, Recipient, Recipient's contractors and subcontractors, and State shall each maintain and make available for inspection all books, documents, papers, accounting records, and other evidence pertaining to the performance of such contracts, including, but not limited to, the costs of administering those various contracts. All of the above referenced parties shall make such Agreement and Program Supplement materials available at their respective offices at all reasonable times during the entire Project period and for three (3) years from the date of final payment to Recipient under any Program Supplement. State, the California State Auditor, or any duly authorized representative of State or the United States Department of Transportation shall each have access to any books, records, and documents that are pertinent to the Project for audits, examinations, excerpts, and transactions, and Recipient shall furnish copies thereof if requested.

3. Recipient, its contractors and subcontractors will permit access to all records of employment, employment advertisements, employment application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission, or any other agency of the State of California designated by State, for the purpose of any investigation to ascertain compliance with this Agreement and the Act.

C. *Reporting Requirements*

1. Reporting requirements of Recipient will include whether reported implementation activities are within the scope of the Project Program Supplement and in compliance with State laws, regulations, and administrative requirements.

2. TIRCP Progress Reporting shall be no more frequently than monthly and no less frequently than quarterly at the discretion of the State and shall generally include the following information;

a. Activities and progress made towards implementation of the project during the reporting period and activities anticipated to take place in the next reporting period;

b. Identification of whether the Project is proceeding on schedule and within budget;

c. Identification of whether the Project Deliverables are proceeding on schedule.

d. Identification of changes to the Project funding plan, milestone schedule, or deliverables completion date;

e. Any actual or anticipated problems which could lead to delays in schedule, increased costs or other difficulties for either the Project or other State funded projects impacted by the Project's scope of work and the efforts or activities being undertaken to minimize impacts to schedule, cost, or deliverables;

3. CARB Reporting shall be no more frequently than monthly and no less frequently than semiannually at the discretion of CARB and shall include the following information (subject to modification by CARB);

a. Identify metrics and benefits achieved for disadvantaged communities, low income communities, and/or low-income households;

b. continued reporting following project implementation to identify benefits achieved.

c. Any and all other requirements instituted by CARB.

4. Within one year of the Project or reportable Project components becoming operable, the implementing agency must provide a final delivery report including at a minimum:

a. Scope of completed Project as compared to Programmed Project;

b. Performance outcomes derived from the project as compared to outcomes described in the Project application and shall include but not be limited to before and after measurements and estimates for ridership, service levels, greenhouse gas reductions, updated estimated greenhouse gas reductions over the life of the project, benefits to disadvantaged communities, low income communities, and/or low income households, and project co-benefits as well as an explanation of the methodology used to quantify the benefits.

c. Before and after photos documenting the project

d. The final costs as compared to the approved project budget by component and fund type, and an estimate of the TIRCP funds spent to benefit disadvantaged communities, low-income communities, and/or low-income households, and

e. The project duration as compared to the project schedule in the project application.

Section 3. Special Requirements

A. *California Transportation Commission Resolutions*

1. Recipient shall adhere to applicable CTC policies on "Timely Use of Funds" as stated in Resolution G-06-04, adopted April 26, 2006, addressing the expenditure and reimbursement of GGRF and SB 1 Funds. These resolutions, and/or successor resolutions in place at the time a Program Supplement is executed, shall be applicable to GGRF and SB 1 funds, respectively.

2. Recipient shall be bound to the terms and conditions of this Agreement, the Project application contained in the Program Supplement (as applicable), and CTC Resolutions G-06-04, G-09-11 and/or their respective successors in place at the time the Program Supplement is signed (as applicable), and all restrictions, rights, duties and obligations established therein on behalf of State and CTC shall accrue to the benefit of the CTC and shall thereafter be subject to any necessary enforcement action by CTC or State. All terms and conditions stated in the aforesaid CTC Resolutions and CTC-approved Guidelines in place at the time the Program Supplement is signed (if applicable) shall also be considered to be binding provisions of this Agreement.

3. Recipient shall conform to any and all permit and mitigation duties associated with Project as well as all environmental obligations established in CTC Resolution G-91-2 and/or its successors in place at the time a Program Supplement is signed, as applicable, at the expense of Recipient and/or the responsible party and without any further financial contributions or obligations on the part of State unless a separate Program Supplement expressly provides funding for the specific purpose of hazardous materials remediation.

B. *Recipient Resolution*

1. Recipient has executed this Agreement pursuant to the authorizing Recipient resolution, attached as Appendix B to this Agreement, which empowers Recipient to enter into this Agreement and which may also empower Recipient to enter into all subsequent Program Supplements adopting the provisions of this Agreement.

2. If Recipient or State determines that a separate Resolution is needed for each Program Supplement, Recipient will provide information as to who the authorized designee is to act on behalf of the Recipient to bind Recipient with regard to the terms and conditions of any said Program Supplement or amendment and will provide a copy of that additional Resolution to State with the Program Supplement or any amendment to that document.

C. *Termination*

1. Termination Convenience by State

a. State reserves the right to terminate funding for any Program Supplement, subject to CalSTA approval, upon written notice to Recipient in the event that Recipient fails to proceed with Project work in accordance with the Program Supplement, or otherwise violates the conditions of this Agreement and/or the Program Supplement or the funding allocation such that substantial performance is significantly endangered.

b. No such termination shall become effective if, within thirty (30) days after receipt of a notice of termination, Recipient either cures the default involved or, if not reasonably susceptible of cure within said thirty (30)-day period, Recipient proceeds thereafter to complete the cure in a manner and time line acceptable to State. Any such termination shall be accomplished by delivery to Recipient of a notice of termination, which notice shall become effective not less than thirty (30) days after receipt, specifying the reason for the termination, the extent to which funding of work under this Agreement is terminated and the date upon which such termination becomes effective, if beyond thirty (30) days after receipt. During the period before the effective termination date, Recipient and State shall meet to attempt to resolve any dispute.

c. Following a fund encumbrance made pursuant to a Program Supplement, if Recipient fails to expend GGRF or SB 1 monies within the time allowed specified in the Program Supplement, those funds may revert, and be deemed withdrawn and will no longer be available to reimburse Project work unless those funds are specifically made available beyond the end of that Fiscal Year through re-appropriation or other equivalent action of the Legislature and written notice of that action is provided to Recipient by State.

d. In the event State terminates a Program Supplement for convenience and not for a default on the part of Recipient as is contemplated in this section, Recipient shall be reimbursed its authorized costs up to State's proportionate and maximum share of allowable Project costs incurred to the date of Recipient's receipt of that notice of termination, including any unavoidable costs reasonably and necessarily incurred up to and following that termination date by Recipient to effect such termination following receipt of that termination notice.

2. Termination After Recipient's Obligations Fully Performed

Following project completion, and all obligations as defined in the TIRCP Guidelines, CARB Guidelines, and Program Supplement are fully performed, including Project completion of all deliverables and reporting, the Program

Supplement shall be terminated. If the Project obligations are not fully performed, as defined under this section, the Recipient may be required to fully or partially repay funds.

D. *Third Party Contracting*

1. Recipient shall not award a construction contract over $10,000 or other contracts over $25,000 [excluding professional service contracts of the type which are required to be procured in accordance with Government Code Sections 4525 (d), (e) and (f)] on the basis of a noncompetitive negotiation for work to be performed under this Agreement without the prior written approval of State. Contracts awarded by Recipient, if intended as local match credit, must meet the requirements set forth in this Agreement regarding local match funds.

2. Any subcontract entered into by Recipient as a result of this Agreement shall contain the provisions of ARTICLE III – GENERAL PROVISIONS, Section 2. Audits and Reports and shall mandate that travel and per diem reimbursements and third-party contract reimbursements to subcontractors will be allowable as Project costs only after those costs are incurred and paid for by the subcontractors.

3. In addition to the above, the preaward requirements of third-party contractor/consultants with local transit agencies should be consistent with Local Program Procedures (LPP-00-05).

E. *Change in Funds and Terms/Amendments*

This Agreement and the resultant Program Supplements may be modified, altered, or revised only with the joint written consent of Recipient and State.

F. *Project Ownership*

1. Unless expressly provided to the contrary in a Program Supplement, subject to the terms and provisions of this Agreement, Recipient, or a designated subrecipient acceptable to State, as applicable, shall be the sole owner of all improvements and property included in the Project constructed, installed or acquired by Recipient or subrecipient with funding provided to Recipient under this Agreement. Recipient, or subrecipient, as applicable, is obligated to continue operation and maintenance of the physical aspects of the Project dedicated to the public transportation purposes for which Project was initially approved unless Recipient, or subrecipient, as applicable, ceases ownership of such Project property; ceases to utilize the Project property for the intended public transportation purposes; or sells or transfers title to or control over Project and State is refunded the Credits due State as provided in paragraph (2) herein below.

2. Project right-of-way, Project facilities constructed or reconstructed on the Project site and/or Project property (including vehicles and vessels) purchased by Recipient (excluding temporary construction easements and excess property whose proportionate resale proceeds are distributed pursuant to this Agreement) shall remain permanently dedicated to the described public transit use in the same proportion and scope, and to the same extent as mandated in the Program Supplement, unless State agrees otherwise in writing. Vehicles acquired as part of Project, including, but not limited to, buses, vans, rail passenger equipment, shall be dedicated to that public transportation use for their full economic life cycle, which, for the purpose of this Agreement, will be determined in accordance with standard national transit practices and applicable rules and guidelines, including any extensions of that life cycle achievable by reconstruction, rehabilitation or enhancements. The exceptions to this section are outlined below:

a. Except as otherwise set forth in this Section, State, or any other State-assignee public body acting on behalf of the CTC, shall be entitled to a refund or credit (collectively the Credit), at State's sole option, equivalent to the proportionate Project funding participation received by Recipient from State if Recipient, or a sub-recipient, as applicable, (i) ceases to utilize Project for the original intended public transportation purposes or (ii) sells or transfers title to or control over Project. If federal funds (meaning only those federal funds received directly by Recipient and not federal funds derived through or from the State) have contributed to the Project, Recipient shall notify both State and the original federal source of those funds of the disposition of the Project assets or the intended use of those sale or transfer receipts.

b. State shall also be entitled to an acquisition credit for any future purchase or condemnation of all or portions of Project by State or a designated representative or agent of State.

c. The Credit due State will be determined by the ratio of State's funding when measured against the Recipient's funding participation (the Ratio). For purposes of this Section, the State's funding participation includes federal funds derived through or from State. That Ratio is to be applied to the then present fair market value of Project property acquired or constructed as provided in (d) and (e) below.

d. For Mass Transit vehicles, this Credit [to be deducted from the then remaining equipment value] shall be equivalent to the percentage of the full extendable vehicle economic life cycle remaining, multiplied by the Ratio of funds provided for that equipment acquisition. For real property, this same funding Ratio shall be applied to the then present fair market value, as determined by State, of the Project property acquired or improved under this Agreement.

e. Such Credit due State as a refund shall not be required if Recipient dedicates the proceeds of such sale or transfer exclusively to a new or replacement State approved public transit purpose, which replacement facility or vehicles will then also be subject to the identical use restrictions for that new public purpose and the Credit ratio due State should that replacement project or those replacement vehicles cease to be used for that intended described pre-approved public transit purpose.

i. In determining the present fair market value of property for purposes of calculating State's Credit under this Agreement, any real property portions of the Project site contributed by Recipient shall not be included. In determining State's proportionate funding participation, State's contributions to third parties (other than Recipient) shall be included if those contributions are incorporated into the Project.

ii. Once State has received the Credit as provided for above because Recipient, or a sub-recipient, as applicable, has (a) ceased to utilize the Project for the described intended public transportation purpose(s) for which State funding was provided and State has not consented to that cessation of services or (b) sold or transferred title to or control over Project to another party (absent State approval for the continued transit operation of the Project by that successor party under an assignment of Recipient's duties and obligations), neither Recipient, subrecipient, nor any party to whom Recipient or subrecipient, as applicable, has transferred said title or control shall have any further obligation under this Agreement to continue operation of Project and/or Project facilities for those described public transportation purposes, but may then use Project and/or any of its facilities for any lawful purpose.

iii. To the extent that Recipient operates and maintains Intermodal Transfer Stations as any integral part of Project, Recipient shall maintain each station and all its appurtenances, including, but not limited to, restroom facilities, in good condition and repair in accordance with high standards of cleanliness (Public Utilities Code section 99317.8). Upon request of State, Recipient shall also authorize State-funded bus services to use those stations and appurtenances without any charge to State or the bus operator. This permitted use will include the placement of signs and informational material designed to alert the public to the availability of the State-funded bus service (for the purpose of this paragraph, "State-funded bus service" means any bus service funded pursuant to Public Utilities Code section 99316).

G. *Disputes*

Parties shall develop a mutually agreed upon issue resolution process, as described below, and issues between the Parties are to be resolved in a timely manner. The Parties agree to the following:

1. If the Parties are unable to reach agreement on any particular issue relating to either Parties' obligations pursuant to this Agreement, the Parties agree to promptly follow the issue resolution process as outlined below:

a. The Department's project manager and the Recipient's equivalent may initiate the process of informal dispute resolution by providing the other Party with written notice of a dispute. The written notice shall provide a clear statement of the dispute and shall refer to the specific provisions of this Agreement or Program Supplement that pertain to the dispute. The Department's project manager and the Recipient's equivalent shall meet and attempt to resolve the dispute within five days from the written notice. If the dispute is resolved, the Parties shall create and sign a short description of the facts and the resolution that was agreed upon by the Parties.

b. If the dispute is not resolved by the fifth day from the written notice, the Department's senior project manager and the Recipient's equivalent shall meet and review the dispute within five days. The Department's senior project manager and the Recipient's equivalent manager shall attempt to resolve the dispute within ten days of their initial meeting. If the dispute is resolved, the Parties shall create and sign a short description of the facts and the resolution that was agreed upon by the Parties.

c. If the dispute is not resolved by the tenth day, the Department's Director or his designee and the Recipient's equivalent manager shall meet and review the dispute within five days. The Department's Director or his designee and the Recipient's equivalent manager shall attempt to resolve the dispute within ten days of the initial meeting. If the dispute is resolved, the Parties shall create and sign a short description of the facts and the resolution that was agreed upon by the Parties. If the dispute is not resolved by the tenth day by the Department's Director or his designee and the Recipient's equivalent manager, the Parties shall submit the matter to the Secretary of CalSTA for a final administrative determination.

H. *Hold Harmless and Indemnification*

1. Neither State nor any officer or employee thereof shall be responsible for any damage or liability occurring by reason of anything done or omitted to be done by Recipient, its agents and contractors under or in connection with any work, authority, or jurisdiction delegated to Recipient under this Agreement or any

Program Supplement or as respects environmental clean-up obligations or duties of Recipient relative to Project. It is also understood and agreed that Recipient shall fully defend, indemnify and hold the CTC and State and their officers and employees harmless from any liability imposed for injury and damages or environmental obligations or duties arising or created by reason of anything done or imposed by operation of law or assumed by or omitted to be done by Recipient under or in connection with any work, authority, or jurisdiction delegated to Recipient under this Agreement and all Program Supplements.

2. Recipient shall indemnify, defend and hold harmless State, the CTC and the State Treasurer relative to any misuse by Recipient of State funds, Project property, Project generated income or other fiscal acts or omissions of Recipient.

I. *Labor Code Compliance*

Recipient shall include in all subcontracts awarded using Project funds, when applicable, a clause that requires each subcontractor to comply with California Labor Code requirements that all workers employed on public works aspects of any project (as defined in California Labor Code §§ 1720-1815) be paid not less than the general prevailing wage rates predetermined by the Department of Industrial Relations as effective the date of Contract award by the Recipient.

J. *Non-Discrimination Clause*

1. In the performance of work under this Agreement, Recipient, its contractor(s) and all subcontractors, shall not unlawfully discriminate, harass or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability, mental disability, medical condition, age, marital status, family and medical care leave, pregnancy leave, and disability leave. Recipient, its contractor(s) and all subcontractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Recipient, its contractor(s) and all subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12900 et seq.), and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Each of Recipient's contractors and all subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreements, as appropriate.

2. Each of the Recipient's contractors, subcontractors, and/or subrecipients shall give written notice of their obligations under this clause to labor organizations with which they have collective bargaining or other labor agreements. The Recipient shall include the non-discrimination and compliance provisions hereof in all contracts and subcontracts to perform work under this Agreement.

3. Should federal funds be constituted as part of Project funding or compensation received by Recipient under a separate Contract during the performance of this Agreement, Recipient shall comply with this Agreement and with all federal mandated contract provisions as set forth in that applicable federal funding agreement.

4. Recipient shall include the non-discrimination and compliance provisions of this clause in all contracts and subcontracts to perform work under this Agreement.

5. The Recipient shall comply with the nondiscrimination program requirements of Title VI of the Civil Rights Act of 1964. Accordingly, 49 CFR 21 (Nondiscrimination in Federally-Assisted Programs of the Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964) and 23 CFR Part 200 (Title VI Program and Related Statutes—Implementation and Review Procedures) are made applicable to this Agreement by this reference. Wherever the term "Contractor" appears therein, it shall mean the Recipient.

6. The Recipient shall permit, and shall require that its contractors, subcontractors, and subrecipients will permit, access to all records of employment, employment advertisements, application forms, and other pertinent data and records by the State Fair Employment Practices and Housing Commission or any other agency of the State of California designated by Department to investigate compliance with this Section J.

K. *State Fire Marshal Building Standards Code*

The State Fire Marshal adopts building standards for fire safety and panic prevention. Such regulations pertain to fire protection design and construction, means of egress and adequacy of exits, installation of fire alarms, and fire extinguishment systems for any State-owned or State-occupied buildings per section 13108 of the Health and Safety Code. When applicable, Recipient shall request that the State Fire Marshal review Project PS&E to ensure Project consistency with State fire protection standards.

L. *Americans with Disabilities Act*

By signing this Master Agreement, Recipient assures State that Recipient shall comply with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA (42 U.S.C. 12101 et seq.).

M. *Access for Persons with Disabilities*

Disabled access review by the Department of General Services (Division of the State Architect) is required for all publicly funded construction of buildings, structures, sidewalks, curbs and related facilities. Recipient will award no construction contract unless Recipient's plans and specifications for such facilities conform to the provisions of sections 4450 and 4454 of the California Government Code, if applicable. Further requirements and guidance are provided in Title 24 of the California Code of Regulations.

N. *Disabled Veterans Program Requirements*

1. Should Military and Veterans Code sections 999 et seq. be applicable to Recipient, Recipient will meet, or make good faith efforts to meet, the 3% Disabled Veterans Business Enterprises goals (or Recipient's applicable higher goals) in the award of every contract for Project work to be performed under these this Agreement.

2. Recipient shall have the sole duty and authority under this Agreement and each Program Supplement to determine whether these referenced code sections are applicable to Recipient and, if so, whether good faith efforts asserted by those contractors of Recipient were sufficient as outlined in Military and Veterans Code sections 999 et seq.

O. *Environmental Process*

Completion of the Project environmental process ("clearance") by Recipient (and/or State if it affects a State facility within the meaning of the applicable statutes) is required prior to requesting Project funds for right-of-way purchase or construction. No State agency may request funds nor shall any State agency, board or commission authorize expenditures of funds for any Project effort, except for feasibility or planning studies, which may have a significant effect on the environment unless such a request is accompanied with all appropriate documentation of compliance with or exemption from the California Environmental Quality Act (CEQA) (including, if as appropriate, an environmental impact report, negative declaration, or notice of exemption) under California Public Resources Code section 21080(b) (10), (11), and (12) provides an exemption for a passenger rail project that institutes or increases passenger or commuter services on rail or highway rights-of-way already in use.

P. *Force Majeure*

Each party will be excused from performance of its obligations where such non-performance is caused by any extraordinary event beyond its reasonable control, such as any non-appealable order, rule or regulation of any federal or state governmental body, fire, flood, earthquake, storm, hurricane or other natural disaster, epidemic, pandemic, war, invasion, act of foreign enemies, hostilities (regardless of whether war is declared), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, terrorist activities, nationalization, government sanction, blockage, embargo, labor dispute, strike, lockout or interruption, provided that the party excused hereunder shall use all reasonable efforts to minimize its non-performance and to overcome, remedy or remove such event in the shortest practical time.

Should a *force majeure* event occur which renders it impossible for a period of forty-five (45) or more consecutive days for either party to perform its obligations hereunder, the Parties agree to negotiate in good faith to amend the existing Master Agreement or Supplemental Agreement to deal with such event and to seek additional sources of funding to continue the operation of the Service.

ARTICLE IV – MISCELLANEOUS PROVISIONS

Section 1. Miscellaneous Provisions

A. *Successor* Acts

All statutes cited herein shall be deemed to include amendments to and successor statutes to the cited statues as they presently exist.

B. *Successor and Assigns to the Parties*

Neither this Agreement nor any right, duty or obligation hereunder may be assigned, transferred, hypothecated or pledged by any party without the express written consent of the other party; provided, that unless otherwise expressly required herein, a party shall not be obligated to obtain the written consent of the other party with respect to any contract related to the Service for the provision of goods and/or services to the contracting party in the ordinary course of business.

C. *Notice*

Any notice which may be required under this Agreement shall be in writing, shall be effective when received, and shall be given by personal service, or by certified or registered mail, return receipt requested, to the addresses set forth below, or to such other addresses as may be specified in writing and given to the other party in accordance herewith.

If given to the Department:

State of California

Department of Transportation

Division of Local Assistance

P.O. Box 942874

Sacramento, CA 994274-0001

Attention: Division of Local Assistance, TIRCP Contract Manager, Mail Stop 39

with a copy to:

California State Transportation Agency

915 Capitol Mall Suite 350 B

Sacramento, CA 95814

If given to the Recipient:

San Bernardino County Transportation Authority

1170 W. 3rd Street, 2nd Floor

San Bernardino, CA 92410-1715

Attention: James Mejia

D. *Amendment*

This Agreement may not be changed, modified, or amended except in writing, signed by the parties hereto, and approved in advance in writing by the Secretary, and any attempt at oral modification of this Agreement shall be void and of no effect.

E. *Representation and Warranties of the Parties*

1. Recipient hereby represents and warrants to the Department that:

a. Recipient is in good standing under applicable law, with all requisite power and authority to carry on the activities for which it has been organized and proposed to be conducted pursuant to this Agreement.

b. Recipient has the requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement by such entity, the performance by it of its obligations thereunder and the consummation of the transactions contemplated thereby have been duly authorized by the governing board of such entity and no other proceedings are necessary to authorize this Agreement or to consummate the transactions contemplated thereby. This Agreement has been duly and validly executed and delivered by such entity and constitutes valid and binding obligations of such entity, enforceable against it in accordance with Agreement's terms, except to the extent that such enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws now or hereinafter in effect relating to the creditor's rights and the remedy of specific enforcement and injunctive and other forms of equitable relief, and may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought.

c. Neither the execution and delivery of this Agreement and the performance of its obligations thereunder nor the consummation of the transactions contemplated thereby will (i) conflict with or result in a breach of any provision of any agreement to which Recipient is a party; (ii) violate any writ, order, judgment, injunction, decree, statute, rule or regulation of any court or governmental authority applicable to such entity or its property or assets.

2. The Department does hereby represent and warrant with respect to each provision of this Agreement to the Recipient that:

a. It validly exists with all requisite power and authority to carry on the activities proposed to be conducted pursuant to this Agreement.

b. It has the requisite power and authority to execute and deliver this Agreement and to carry out its obligations thereunder. The execution and delivery of this Agreement, the performance by it of its obligations thereunder and the consummation of the transactions contemplated thereby have been duly authorized and no other proceedings are necessary to authorize this Agreement or to consummate the transactions contemplated thereby. This Agreement has been duly and validly executed and delivered by Department and constitutes valid and binding obligations, enforceable against it in accordance with Agreement's terms, except to the extent that such enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium or other laws now or hereinafter in effect relating to creditor's rights and other forms of equitable relief, and may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought.

c. Neither the execution and delivery of this Agreement and the performance of its obligations thereunder nor the consummation of the transactions contemplated thereby will (i) conflict with or result in a breach of any provision of any agreement to which the Recipient is a party; (ii) violate any writ, order, judgment, injunction, decree, statute, rule or regulation of any court or governmental authority applicable to such entity or its property or assets.

F. *Construction, Number, Gender and Captions*

This Agreement has been executed in the State of California and shall be construed according to the law of said State. Numbers and gender as used therein shall be construed to include that number and/or gender which is appropriate in the context of the text in which either is included. Captions are included therein for the purposes of ease of reading and identification. Neither gender, number nor captions used therein shall be construed to alter the plain meaning of the text in which any or all of them appear.

G. *Complete Agreement*

This Agreement, including Appendices, constitutes the full and complete agreement of the parties, superseding and incorporating all prior oral and written agreements relating to the subject matter of this Agreement. All attached Appendices A and B are hereby incorporated and made an integral part of this Agreement by this reference.

H. *Partial Invalidity*

If any part of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforceability of any other part of this Agreement and the remaining parts of this Agreement shall be enforced as if such invalid, illegal or unenforceable part were not contained herein.

I. *Conflicts*

To the extent that any provision of or requirement of this Agreement may conflict with a provision or requirement of any other agreement between the parties hereto, or between a party hereto and any other party, which is attached to this Agreement as an appendix, the priority of agreements shall be employed to resolve such conflict. In the event of a conflict, the terms of the Master Agreement control the terms of Program Supplements and any further Amendments.

J. *Counterparts*

This Agreement may be executed in one or more counterparts and may include multiple signature pages, all of which shall be deemed to be one instrument. Copies of this Agreement may be used in lieu of the original.

K. *Governing Law*

The Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers.

STATE OF CALIFORNIA DEPARTMENT OF TRANSPORATION	SAN BERNARDINO COUNTY TRANSPORTATION AUTHORITY
BY: ______________________________ Dee Lam Chief, Division of Local Assistance	**BY:** ______________________________ Raymond W. Wolfe Executive Director
DATE: ______________________________	**DATE:** ______________________________

APPROVED AS TO FORM AND PROCEDURE

STATE OF CALIFORNIA
DEPARTMENT OF TRANSPORTATION

BY: ______________________________
Deputy Attorney

DATE: ______________________________

APPENDIX A
TIRCP PROGRAM GUIDELINES AND DEPARTMENT DELEGATION

(INSERT GUIDELINES AND DEPARTMENT DELEGATION)

FINAL GUIDELINES AND DEPARTMENT DELEGATION WILL BE INCLUDED IN THE FINAL MASTER AGREEMENT

APPENDIX B
RECIPIENT'S RESOLUTION

RESOLUTION NO. 24-017

AUTHORIZATION FOR THE EXECUTION OF A MASTER AGREEMENT AND PROGRAM SUPPLEMENTS FOR STATE-FUNDED TRANSIT PROJECTS

WHEREAS, the San Bernardino County Transportation Authority (SBCTA) may receive state funding from the California Department of Transportation (Department) now or sometime in the future for transit projects; and

WHEREAS, substantial revisions were made to the programming and funding process for the transportation projects programmed in the Transit and Intercity Rail Capital Program, by Chapter 36 (SB 862) of the Statutes of 2014; and

WHEREAS, the statutes related to state-funded transit projects require a local or regional implementing agency to execute an agreement with the Department before it can be reimbursed for project expenditures; and

WHEREAS, the Department utilizes the Master Agreement for State-Funded Transit Projects, along with associated Program Supplements, for the purpose of administering and reimbursing state transit funds to local agencies; and

WHEREAS, the SBCTA wishes to delegate authorization to execute these agreements and any amendments thereto to the Executive Director or his or her designee; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Bernardino County Transportation Authority, that the fund recipient agrees to comply with all conditions and requirements set forth in this agreement and applicable statutes, regulations and guidelines for all state-funded transit projects.

NOW THEREFORE, BE IT FURTHER RESOLVED that SBCTA's Executive Director be authorized to execute the Master Agreement, all Award Agreements, and all Program Supplements for State-Funded Transit Projects and any Amendments thereto with the California Department of Transportation.

PASSED AND ADOPTED at a meeting of the San Bernardino County Transportation Authority held on April 3, 2024.

By: ________________________________
Dawn M. Rowe, Board President
San Bernardino County Transportation Authority

ATTEST:

By: ________________________________
Marleana Roman, Clerk of the Board
San Bernardino County Transportation Authority

Additional Information

Acronym List

This list provides information on acronyms commonly used by transportation planning professionals. This information is provided in an effort to assist Board Members and partners as they participate in deliberations at Board meetings. While a complete list of all acronyms which may arise at any given time is not possible, this list attempts to provide the most commonly-used terms. Staff makes every effort to minimize use of acronyms to ensure good communication and understanding of complex transportation processes.

AB	Assembly Bill
ACE	Alameda Corridor East
ACT	Association for Commuter Transportation
ADA	Americans with Disabilities Act
ADT	Average Daily Traffic
APTA	American Public Transportation Association
AQMP	Air Quality Management Plan
ARRA	American Recovery and Reinvestment Act
ATMIS	Advanced Transportation Management Information Systems
BAT	Barstow Area Transit
CALACT	California Association for Coordination Transportation
CALCOG	California Association of Councils of Governments
CALSAFE	California Committee for Service Authorities for Freeway Emergencies
CARB	California Air Resources Board
CEQA	California Environmental Quality Act
CMAQ	Congestion Mitigation and Air Quality
CMIA	Corridor Mobility Improvement Account
CMP	Congestion Management Program
CNG	Compressed Natural Gas
COG	Council of Governments
CPUC	California Public Utilities Commission
CSAC	California State Association of Counties
CTA	California Transit Association
CTC	California Transportation Commission
CTC	County Transportation Commission
CTP	Comprehensive Transportation Plan
DBE	Disadvantaged Business Enterprise
DEMO	Federal Demonstration Funds
DOT	Department of Transportation
EA	Environmental Assessment
E&D	Elderly and Disabled
E&H	Elderly and Handicapped
EIR	Environmental Impact Report (California)
EIS	Environmental Impact Statement (Federal)
EPA	Environmental Protection Agency
FHWA	Federal Highway Administration
FSP	Freeway Service Patrol
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
FTIP	Federal Transportation Improvement Program
GFOA	Government Finance Officers Association
GIS	Geographic Information Systems
HOV	High-Occupancy Vehicle
ICTC	Interstate Clean Transportation Corridor
IEEP	Inland Empire Economic Partnership
ISTEA	Intermodal Surface Transportation Efficiency Act of 1991
IIP/ITIP	Interregional Transportation Improvement Program
ITS	Intelligent Transportation Systems
IVDA	Inland Valley Development Agency
JARC	Job Access Reverse Commute
LACMTA	Los Angeles County Metropolitan Transportation Authority
LNG	Liquefied Natural Gas
LTF	Local Transportation Funds

Acronym List

MAGLEV	Magnetic Levitation
MARTA	Mountain Area Regional Transportation Authority
MBTA	Morongo Basin Transit Authority
MDAB	Mojave Desert Air Basin
MDAQMD	Mojave Desert Air Quality Management District
MOU	Memorandum of Understanding
MPO	Metropolitan Planning Organization
MSRC	Mobile Source Air Pollution Reduction Review Committee
NAT	Needles Area Transit
NEPA	National Environmental Policy Act
OA	Obligation Authority
OCTA	Orange County Transportation Authority
PA&ED	Project Approval and Environmental Document
PASTACC	Public and Specialized Transportation Advisory and Coordinating Council
PDT	Project Development Team
PNRS	Projects of National and Regional Significance
PPM	Planning, Programming and Monitoring Funds
PSE	Plans, Specifications and Estimates
PSR	Project Study Report
PTA	Public Transportation Account
PTC	Positive Train Control
PTMISEA	Public Transportation Modernization, Improvement and Service Enhancement Account
RCTC	Riverside County Transportation Commission
RDA	Redevelopment Agency
RFP	Request for Proposal
RIP	Regional Improvement Program
RSTIS	Regionally Significant Transportation Investment Study
RTIP	Regional Transportation Improvement Program
RTP	Regional Transportation Plan
RTPA	Regional Transportation Planning Agencies
SB	Senate Bill
SAFE	Service Authority for Freeway Emergencies
SAFETEA-LU	Safe Accountable Flexible Efficient Transportation Equity Act – A Legacy for Users
SCAB	South Coast Air Basin
SCAG	Southern California Association of Governments
SCAQMD	South Coast Air Quality Management District
SCRRA	Southern California Regional Rail Authority
SHA	State Highway Account
SHOPP	State Highway Operations and Protection Program
SOV	Single-Occupant Vehicle
SRTP	Short Range Transit Plan
STAF	State Transit Assistance Funds
STIP	State Transportation Improvement Program
STP	Surface Transportation Program
TAC	Technical Advisory Committee
TCIF	Trade Corridor Improvement Fund
TCM	Transportation Control Measure
TCRP	Traffic Congestion Relief Program
TDA	Transportation Development Act
TEA	Transportation Enhancement Activities
TEA-21	Transportation Equity Act for the 21st Century
TMC	Transportation Management Center
TMEE	Traffic Management and Environmental Enhancement
TSM	Transportation Systems Management
TSSDRA	Transit System Safety, Security and Disaster Response Account
USFWS	United States Fish and Wildlife Service
VCTC	Ventura County Transportation Commission
VVTA	Victor Valley Transit Authority
WRCOG	Western Riverside Council of Governments

TRANSIT COMMITTEE ATTENDANCE RECORD – 2024

Name	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Eunice Ulloa City of Chino		X										
Ray Marquez City of Chino Hills		X										
Frank Navarro City of Colton		X										
Aquanetta Warren City of Fontana		X										
Sylvia Robles City of Grand Terrace												
Larry McCallon City of Highland		X										
John Dutrey City of Montclair		X										
Alan Wapner City of Ontario												
L. Dennis Michael City of Rancho Cucamonga												
Rick Denison Town of Yucca Valley		X										
Dawn Rowe Board of Supervisors		X										
Joe Baca, Jr. Board of Supervisors		X										

X = Member attended meeting Empty box = Member did not attend meeting
Crossed out box = Not a member at the time Shaded box=The Transit Committee did not meet

TC-ATT24

MISSION STATEMENT

Our mission is to improve the quality of life and mobility in San Bernardino County. Safety is the cornerstone of all we do.

We achieve this by:

- Making all transportation modes as efficient, economical, and environmentally responsible as possible.
- Envisioning the future, embracing emerging technology, and innovating to ensure our transportation options are successful and sustainable.
- Promoting collaboration among all levels of government.
- Optimizing our impact in regional, state, and federal policy and funding decisions.
- Using all revenue sources in the most responsible and transparent way.

Approved December 4, 2019